

## **Neighborhood Revitalization Loan Pool Program GRANT AGREEMENT**

**THIS GRANT AGREEMENT** (this "Agreement") is entered into as of the Effective Date, herein defined, by and between **HOWARD COUNTY, MARYLAND**, a body corporate and politic of the State of Maryland (the "County") and **the Real Estate Charitable Foundation of Maryland**, a 501(c)(3) nonprofit corporation (the "Grantee"), a supporting organization of the Community Foundation of Howard County, also a 501(c)(3) nonprofit corporation ("Cfhoco").

### **RECITALS**

A. WHEREAS, pursuant to Section 22.700 et seq. of the Howard County Code, the County is authorized to make grants to non-profit agencies that provide services to County residents. Such grants may be funded from County or designated private, State, regional, or federal funds.

B. WHEREAS, the County issued a Notice of Funding Availability (the "NOFA") dated December 8, 2016 regarding grant funds designated for a neighborhood revitalization loan program (the "Program").

C. WHEREAS, Grantee submitted a response (the "Response") to the NOFA on January 18, 2017 describing its capacity to administer the Program and provide certain services to Howard County residents.

D. WHEREAS, pursuant to the Annual Budget and Appropriation Ordinance for Fiscal Year – 2017 (FY17), the County wishes to provide, and the Grantee accepts the grant funds subject to the terms and conditions of this Agreement.

E. WHEREAS, the Program description is outlined in the Funding Opportunity Description, attached hereto as **Exhibit A** and incorporated herein.

**NOW THEREFORE**, in consideration of the premises and the mutual promises and covenants contained in this Agreement, including the Recitals which will be deemed a substantive part of this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the County and the Grantee agree as follows:

### **I. TERM OF AGREEMENT**

This Agreement shall become effective upon execution by the County (the "Effective Date"). Unless sooner terminated pursuant to Section XII of this Agreement, this Agreement shall remain in effect from the Effective Date and until terminating on the earlier to occur of (a) thirty (30) years following the date the last loan closes under this Agreement, or (b) on the date the Grants Funds in the Loan Loss Reserve Account are depleted and all reporting requirements have been fulfilled.

The County's remedies, including the reversion of Grant Funds (Section VI), records and retention requirements (Section VIII), repayment of Grant Funds (Section XIII), and inspection

of Grantee records (Section IX), shall survive and continue to be enforceable after expiration or termination of this Agreement.

## II. GRANT AMOUNT

The County agrees to provide the Grantee with funds (the "Grant") for FY 17 in the amount not to exceed **two million dollars (\$2,000,000)** (the "Grant Funds").

## III. USE OF GRANT FUNDS

- A. **Loan Loss Reserve Account.** The Grant Funds must be held by Grantee in an interest-bearing account and the funds in such account (the "Loan Loss Reserve Account"), along with any interest earned, shall be considered the Grant Funds. Grantee shall transfer any funds received under this Agreement to Cfhoco pursuant to a fund agreement between Grantee and Cfhoco, a copy of which is attached hereto as **Exhibit B**. Such assets will be managed by Cfhoco in accordance with CFHoCo's Investment Policy, a copy of which is attached as **Exhibit C**.
- B. **Expenditures.** With the exception of permitted fees outlined in section III. D., the Grant Funds may only be expended to pay any deficiencies in loan repayments after all collection and foreclosure efforts are exhausted and pursuant to the terms of this Agreement and any related agreements between the Grantee and the County and/or the Grantee and a participating bank (as defined in the NOFA).
- C. **Activities.** The Grantee agrees to provide the Services (the "Services") described below:
1. The Grantee, in consultation with Howard County, through the Howard County Department of Housing and Community Development (the "Department of Housing"), will help facilitate a mortgage loan program (the "Program") that will provide loans to homebuyers to acquire and improve aging homes in Howard County, Maryland and the Grant Funds will be utilized by the Grantee, subject to the terms and conditions of this Agreement, to set up the Loan Loss Reserve Fund for the Program in order to induce a private lender, or lenders, to contribute loan funds of as much as \$20 million to the Program.
  2. The Grantee agrees to oversee the Program, in consultation with and pursuant to parameters approved by the Department of Housing, which will include among other things, pre-screening applicants, assisting borrowers throughout the loan approval and finalization process, marketing the program, and working with lenders and other parties in interest. The parameters of the Program are outlined herein.

3. Within sixty (60) days following the execution of this Agreement, the parties agree to negotiate and document, with specificity, each party's duties and responsibilities as part of the program development documents.

IV. **Administrative Fees.** In accordance with the terms and conditions outlined in this Agreement, the Grantee shall receive administrative fees as follows:

- a. The Grantee is eligible for an establishment fee in the amount of \$100,000 from the initial Grant Funds which shall cover all of Grantee's operating expenses for FY 18 and FY 19 (from July 1, 2017 through June 30, 2019), pursuant to a request for disbursement, which shall be made by way of a Request for Disbursement form, a form of which is attached hereto as **Exhibit D**.
- b. For a period of three (3) years from the date of distribution of the Grant Funds, the Grantee receive all interest earned on the Grant Funds on a yearly basis, which shall be outlined in the Grantee's required year-end reporting. Thereafter, starting in the fourth (4<sup>th</sup>) year from the date of distribution, the Grantee shall receive fifty percent (50%) of any interest earned on the Grant Fund on a yearly basis, which shall be outlined in the Grantee's required year-end reporting.
- c. The Grantee may charge potential homebuyers a reasonable non-refundable pre-screening application fee.
- d. The Grantee may negotiate with the lender(s) to receive a maximum 1% origination fee from each loan closing. Further, the Grantee may negotiate with the lender(s) a participation fee for participating in the Program, which the Grantee may utilize towards required operating expenses.

D. **Modifications.** All requests for modification of Grantee's approved Services or expenditures must be submitted in writing (electronic correspondence is acceptable) to the Department of Housing and approved by the Department of Housing prior to initiating the change.

V. **DISBURSEMENTS**

- A. **General.** The County shall disburse the Grant Funds as outlined herein to the Grantee upon notification from the Department of Housing that the Grantee has set up the Loan Loss Reserve Fund.
- B. **Submission of Request for Grant Funds.** Grantee shall submit one Request for Grant Funds (RGF), along with this signed Agreement and the relevant documentation to evidence that the Program is arranged, to the Department of Housing at the address set forth herein.

- C. **Disbursements to Grantee.** All disbursements are to be made directly from the County to the Grantee. Disbursement of Grant Funds will be contingent upon the terms outlined herein.

## VI. **REVERSION OF GRANT FUNDS**

If the Grantee does not utilize all of the Grant Funds distributed by the County on or before the expiration or termination of this Agreement, or if this Agreement is terminated under Section XII of this Agreement, the Grantee shall return to the County the Grant Funds not already expended within ten (10) days of the date the Agreement expires or is terminated. The Grantee's obligations to the County shall not end until all Grant Funds are utilized pursuant to the Program parameters or have been returned to the County in accordance with the terms of this Agreement.

## VII. **REPORTS**

The Grantee shall provide the County, through the Department of Housing, written program and budget reports in the format provided by the Department of Housing. Any report submitted which does not sufficiently address the questions asked of the Grantee will be deemed incomplete. Incomplete or insufficient reporting may result in the delay of disbursement of Grant Funds or termination of this Agreement. The County may alter Grantee's reporting requirements for failure to comply with the Services and expenditures held within this agreement.

- A. **Reporting Period.** The Grantee shall provide reports of the Grantee's Services, Client Data as defined in Section VIII, financial documentation related to the Grant Fund Account, and an overview of any reports provided to the Grantee by the Lender(s), as required by any finalized Master Participation Agreement, to the County's Department of Housing. Reports shall be submitted on a quarterly basis, beginning on April 1, 2018.
- B. **Sufficient Data.** All reports shall contain sufficient and accurate data describing the Services and expenditures of the Program to permit the County to determine whether the Grantee has met the requirements of this Agreement, including but not limited to evidence that the Grantee is taking all necessary steps to ensure that the participating lender(s) is in compliance with its obligations under the Program or, if the participating lender(s) is in material default on its obligations to the Program, that the Grantee shall notify the County and the parties shall collaboratively take appropriate action against the participating lender(s). Failure to submit any report under this within 30 days after its due date will be considered a material breach under this Agreement.
- C. **Transparency.** Grantee shall report to the County any circumstances which threaten the stability of the Grantee's operation of the Program or the continued ability of the Grantee to provide the Services of this agreement. Such notification shall be delivered immediately and does not follow the reporting schedule as described in Section A above.

## VIII. **RECORDS**

A. **Records to be Maintained**

1. **General.** The Grantee shall maintain sufficient records to enable the County monitors or their designees to determine whether the Grantee has met the requirements of the Program and this Agreement. At a minimum, such records shall include:
  - a. a full description of each activity undertaken;
  - b. invoices, paid bills, cancelled checks, etc. as satisfactory proof of expenses Grantee incurred for eligible Services;
  - c. an accounting of any fees assessed by the Grantee, including but not limited to application fees, origination fees, and any fees assessed in an event of default;
  - d. all reports, electronic or otherwise, provided to the Grantee from the Program's lender[s]; and
  - e. written documentation that illustrates measurable outcomes of the Services.
2. **Client Data.** The Grantee shall maintain data demonstrating borrower eligibility for Services provided. Such data shall include, but not be limited to, borrower(s) name, address, credit score, income ratios set by the participating lender or lenders, and description of Services provided. Such information shall be made available to County monitors or their designees for review upon request.

B. **Records Retention**

1. **Individual Activities.** The Grantee shall retain all records pertinent to Services undertaken and expenditures incurred under this Agreement for a period of three (3) years from the end of the grant period.
2. **Property.** Records regarding real property acquired under the Program shall be retained for three (3) years after final disposition of such property.

- C. **Disclosure.** The Grantee understands that client information collected under the Program funded by this Agreement is private and the use or disclosure of such information, when not directly connected with the administration of the County's or Grantee's responsibilities with respect to Services provided under this Agreement, unless otherwise required by law, is prohibited unless written consent is obtained from such person receiving Service.

IX. **MONITORING**

For the purpose of evaluating and reviewing the Services, costs and operations under the Program, County monitors or their designees shall have access to and the right to interview any personnel essential to the Services described in this Agreement and to examine any books, accounts, and/or records of the Grantee related to this Program. The County shall also have

access to and the right to examine any third-party reports and/or findings of any third-party audits or assessments related to the Grantee's Services and/or operations related to this Program.

Pursuant to Section VII.B., all financial and Program records and files are to be retained for a period of not less than three (3) years from the end of the grant period.

## **X. DISPUTES**

In the event that during the term of this Agreement, any dispute arises between the parties in connection with the performance of this Agreement, each party shall make a reasonable effort to resolve such dispute by mutual negotiation, adjustment and compromise. Under no circumstance, however, shall the authorized Budgetary Appropriation for the grant be exceeded.

Any dispute concerning a question of fact arising under this Agreement, which is not disposed of by mutual consent, shall be decided by the County's Chief Administrative Officer. Pending final decision of the dispute hereunder, the Grantee shall proceed diligently with the Services set forth in this Agreement.

If the Grantee does not agree with the decision of the County's Chief Administrative Officer, or the County's Chief Administrative Officer fails to make a final decision within 30 days from the County receiving written notice of a dispute, Grantee may terminate this Agreement pursuant to the provisions of Section XIIB hereof.

## **XI. WAIVERS**

The failure of the parties to enforce at any time the provisions of this Agreement, or to exercise any option which may be provided herein, shall in no way be construed as a waiver of such provisions nor in any way affect the validity of this Agreement or any part thereof or the right of the parties to enforce thereafter each and every provision.

## **XII. TERMINATION**

- A. **Mutual Termination.** This Agreement may be terminated by the County with the consent of the Grantee, in which case the two parties shall agree upon the termination conditions, including the effective date and, in the case of a partial termination, the portion to be terminated.
- B. **By the Grantee.** This Agreement may be terminated by the Grantee upon at least thirty (30) days written notification to the County. The Grantee's written notice shall set forth reasons for the termination, the effective date of termination, the date the County shall receive return of all remaining Grant Funds, less cost of work satisfactorily performed prior to the date of receipt of notice of termination and, in the case of a partial termination, the portion to be terminated. If, in the case of a partial termination, the County determines that the remaining Grant Funds will not accomplish the purposes for which the Grant was made, the County may terminate the Agreement in its entirety.

- C. **By the County.** This Agreement may be terminated by the County upon at least thirty (30) days' written notice to the Grantee, for any of the following reasons:
1. **Failure to Maintain Insurance.** If the Grantee fails to maintain in effect the insurance policy required by Section XV of this Agreement, or fails to provide the County with evidence of the insurance.
  2. **Best Interest of the County.** If the County determines that termination is in the best interest of the County.
- D. **Termination for Default.** A default shall consist of (i) any use of Grant Funds for any purpose other than authorized by this Agreement; or (ii) any material breach of any covenant, agreement, provision, representation or warranty of the Grantee which was made in this Agreement, including but not limited to (a) failure of the Grantee to maintain in good standing with the State of Maryland as a validly existing nonprofit entity, (b) failure of the Grantee to maintain the scheduled level of Services as set forth herein and/or (c) the Grantee's deviation from the approved Program without prior approval from the County.

### **XIII. NOTICE OF DEFAULT, REPAYMENT AND REMEDIES**

- A. **Notice of Default and Cure.** If a default occurs, the County shall provide written notice to the Grantee to cure the default, and the Grantee shall have thirty (30) days from the date the County's notice was postmarked to cure the default. The notice shall specify the acts or omissions relied on in case of termination. After the conclusion of the 30 day period, if the Grantee has not cured the default to the satisfaction of the County, the County may terminate this Agreement. If a nonmonetary default is capable of being cured and the cure cannot reasonably be completed within the thirty (30) day cure period, the cure period shall be extended up to sixty (60) days so long as Grantee has commenced action to cure within the thirty (30) day cure period.
- B. **Repayment.** In the event of termination for any reason:
- (1) the Grantee's authority to request a disbursement shall cease and the Grantee shall have no right, title or interest in or to any of the Grant Funds not disbursed; except for costs incurred by Grantee for work acceptably performed prior to receipt of notice of termination;
  - (2) the County may immediately demand repayment of all or a portion of the Grant Funds which have been disbursed; except for costs incurred or funds disbursed for work satisfactorily performed or costs incurred in accordance with the terms of this Agreement prior to receipt of notice of termination; and

(3) the County's remedies of withholding disbursement and of obtaining repayment as described in paragraphs (1) and (2) above may be exercised contemporaneously with remedies pursuant to Section C below, and all of such rights shall survive any termination of this Agreement.

C. **Other Remedies.** If a default occurs, the County may at any time proceed to protect and enforce all rights available to the County, by suit in equity, action at law, or by any other appropriate proceedings, which rights and remedies shall survive the termination of this Agreement.

#### **XIV. GRANTEE'S CERTIFICATIONS**

The Grantee certifies to the County that:

- A. The Grantee is a duly organized and validly existing nonprofit corporation under the provisions of Section 501(c)(3) of the Internal Revenue Code, and is in good standing with the State of Maryland, and has all requisite power and authority to enter into this Agreement; and
- B. This Agreement has been duly authorized, executed and delivered by the Grantee in such manner and form as to comply with all applicable laws to make this Agreement the valid and legally binding act and agreement of the Grantee.

#### **XV. INSURANCE**

Grantee shall obtain and maintain general liability and crime coverage insurance as necessary to protect in any legal action, tort, contract, or other liability which may be raised against the Grantee or County. Grantee shall provide the County with evidence of insurance by naming the County as a certificate holder to ensure that the policies may not be terminated without thirty (30) days prior written notice to the County.

#### **XVI. EQUAL EMPLOYMENT OPPORTUNITY**

The Grantee certifies that it now complies and will continue to comply with all applicable federal, state and local laws and regulations pertaining to equal opportunity and equal employment practices, including the Americans with Disabilities Act of 1990.

By executing this Agreement, the Grantee agrees and affirms that it accepts and will conform to the Howard County Affirmative Action Program and Equal Opportunity laws in that:

Howard County expects that the Grantee will not discriminate against any employee, applicant for employment or program participant because of race, creed, color, national origin, sex, age, occupation, personal appearance, political opinion, sexual orientation, marital status, familial status or disability. Subject to the exceptions provided by federal law, Maryland law, and Section 12.208.III(a) of the Howard County Code, the Grantee will take affirmative action to

ensure that applicants, employees and participants in a program are treated equally without discrimination.

### **XVII. LIABILITY LIMITATIONS**

By virtue of this Agreement, the parties expressly acknowledge that Grantee is not acting as an agent for the County but is acting in the capacity of an independent contractor. In addition, Grantee agrees to indemnify and save the County, and its employees, harmless from and against any and all claims, actions, damages, liability and expense, including attorney's fees, in connection with loss of life, personal injury and/or damage to property arising from or out of the performance of its responsibility as stated in this Agreement, or occasioned in whole or in part by any act of omission of Grantee, its agents or employees.

### **XVIII. CONFLICT OF INTEREST**

The Grantee certifies that the officer of the corporation who is executing this Agreement has read and understands the provisions of Section 901(a) of the Howard County Charter dealing with conflicts of interest and Section 22.204 of the Howard County Code dealing with conflicts of interest.

### **XIX. NOTICES**

Communication and details concerning this Agreement shall be directed to the following representatives:

<b><u>County:</u></b>	Department of Housing and Community Development
Contact:	Kelly Cimino Director
Address:	6751 Columbia Gateway Drive
State, Zip:	Columbia, Maryland 21046
Telephone:	410-313--6318
Fax#:	410-313-5960
E-Mail:	<a href="mailto:kcimino@howardcountymd.gov">kcimino@howardcountymd.gov</a>

<b><u>Grantee:</u></b>	Real Estate Charitable Foundation of Maryland
Contact:	10630 Little Patuxent Parkway, Suite 315
Street Address:	Columbia, MD 21044
City, State, Zip:	Attn: Beverly White-Seals
Telephone:	(410) 730-7840
Fax#:	(410) 997-6021
E-Mail:	<a href="mailto:bwhiteseals@cfhoco.org">bwhiteseals@cfhoco.org</a>

**XX. MISCELLANEOUS**

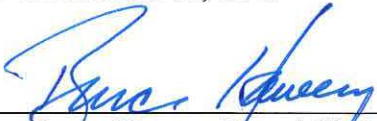
- A. **Funding.** The contractual obligation of the County under this Agreement is contingent upon the availability of appropriated funds from which payment for this Agreement can be made.
- B. **Modifications.** All conditions pertaining to this Agreement shall be binding and no verbal modifications by either part shall be enforceable. Amendments to this Agreement must be in writing and executed by both parties.
- C. **Assignment.** Grantee may not, during the terms of this Agreement, assign or subcontract all or any part of the Grant award without prior written consent of the County.
- D. **Extension.** The County, in its sole discretion, may extend this Agreement beyond the initial term, provided the Grantee is satisfactorily complying with the terms and conditions set forth herein.
- E. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the State of Maryland.
- F. **Amendments.** The parties hereto may amend this Agreement at any time provided that such amendments make specific reference to this Agreement, and are executed in writing and signed by a duly authorized representative of both parties. Such amendment shall not invalidate this Agreement, nor relieve the County or Grantee from its obligations under this Agreement.
- G. **Severability.** If any provision of this Agreement is held invalid, the remainder of the Agreement shall not be affected thereby and all other parts of this Agreement shall nevertheless be in full force and effect.
- H. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between the parties.
- I. **Execution in Counterpart.** This Agreement may be executed in any number of counterparts and each of which when so executed and delivered, shall be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on \_\_\_\_\_, 2017 by affixing hereon their respective seals and signatures of the proper offices.

**FY 17 Grant:**            **Howard County Revitalizing Neighborhoods Every Where [RENEW Howard]**


WITNESS:

REAL ESTATE CHARITABLE FOUNDATION  
OF MARYLAND, INC.

  
By: Bruce Harvey, Board Chair

WITNESS:

**HOWARD COUNTY, MARYLAND,**  
**A body corporate and politic**

  
Lonnie R. Robbins  
Chief Administrative Officer

By:   
Allan H. Kittleman  
County Executive

Date: 5/24/2017

**APPROVED** for Form and Legal  
Sufficiency this 15<sup>th</sup> day  
of May, 2017:

**APPROVED** for Sufficiency of Funds  
this 17 day of May, 2017:

*for*   
Gary W. Kuc  
County Solicitor

  
Stanley J. Milesky  
Director of Finance

Reviewing Attorney:

  
Kristen Bowen Perry  
Assistant County Solicitor

**APPROVED** for Program Sufficiency  
by the Department of Housing And  
Community Development:

  
Kelly Cimino, Director

## EXHIBIT A

### Funding Opportunity Description

- A. Purpose and Goals. Howard County wishes to partner with Grantee to administer a mortgage loan program for prospective homebuyers that will help to revitalize the County's older residential neighborhoods. While much of the housing stock in Howard County is relatively new and in good, marketable condition, many neighborhoods were originally built in the 1960s and 1970s. Some single family homes and townhomes built in that era are showing signs of age and deterioration. Some homeowners do not have the resources to complete major renovations needed to improve and update homes. Potential homebuyers often bypass these older homes, despite their favorable location, because they do not have the resources or capacity to make the improvements they desire. Without new investment in these older homes, property values in these neighborhoods may decline and adversely impact the quality of life in the community.

Howard County desires that Grantee administer the RENEW Howard program to address the needs of aging homes in Howard County. The program's mission is to increase home values in neighborhoods, market communities, create high standards for property improvements, and forge strong connections among neighbors.

- B. Loan Program Description. Howard County envisions that the RENEW Howard program would contain components and requirements outlined in this NOFA and in **Exhibit 1, Proposed Parameters for First Mortgage Loan for Rehab and Purchase**, attached hereto. However, the Applicant may propose a different structure or terms and conditions if it would better achieve the purposes and goals of articulated herein:

1. **The Loan Pool.** Funding for the loan program will come from a loan pool comprised of one or several mortgage lenders which will make loans at favorable terms, including no private mortgage insurance, and at or below market interest rates. The total amount of the loan pool is expected to be approximately \$20,000,000. One lender will act as originator and servicer for all loans through this loan pool. The Grantee will solicit a qualified lender, or lenders, to participate in the pool.

2. **Loan Loss Reserve.** In order to induce a lender or lenders to participate in the loan pool, Howard County will provide a loan loss reserve fund in the amount of 10% of the pool, or approximately \$2,000,000. This fund would be available to pay any actual losses after all collection and foreclosure efforts are exhausted pursuant to the grant agreement and other related agreements.

3. **Pool Administration.** The pool will be administered by Grantee pursuant to the terms and conditions of a finalized Grant Agreement (See Section IV. F). The nonprofit will also be required to pre-screen applicants, market the program, assist borrowers throughout the purchase and renovation process, and act as an intermediary between the lender and the borrower, if necessary. Notwithstanding the foregoing, the County may provide such administrative and technical support as the parties may agree upon in writing prior to commencement of the Program.

4. **Administration Fees.** In accordance with the terms and conditions outlined in a finalized Grant Agreement, the nonprofit entity shall receive administrative fees as follows:
  - a. The nonprofit is eligible for a one-time program establishment fee in the amount of \$100,000 from the initial Grant fund which shall cover all of Grantee's operating expenses for FY 18 and FY 19 (from July 1, 2017) through June 20, 2019), pursuant to a request for disbursement.
  - b. For a period of three (3) years from the date of distribution of the Grant Funds, the Grantee receive all interest earned on the Grant Funds on a yearly basis, which shall be outlined in the Grantee's required year-end reporting. Thereafter, starting in the fourth (4<sup>th</sup>) year from the date of distribution, the Grantee shall receive fifty percent (50%) of any interest earned on the Grant Fund on a yearly basis, which shall be outlined in the Grantee's required year-end reporting.
  - c. Grantee may charge potential purchasers a reasonable non-refundable pre-screening application fee; and
  - d. Grantee may negotiate with the lender(s) to receive a maximum 1% origination fee from each loan closing. Further, the Grantee may negotiate with the lender(s) a participation fee for participating in the Program, which the Grantee may utilize towards required operating expenses.
5. **Eligible Uses.** Loans from the pool would be used to make first-mortgage loans to purchase and rehabilitate existing residential properties. A property must be:
  - a. A single family attached or detached home;
  - b. Thirty (30) years or older;
  - c. Have a current assessed value below \$400,000; and
  - d. the current list price is less than 110% of the current assessment.
6. **Eligible Borrowers.** Potential homebuyers can apply to the program to finance the purchase price and renovations to an eligible home that they want to purchase. Borrowers must occupy the property as their primary residence. There is no maximum income limit for participants in this program.
7. **Maximum Loan Amounts.** Borrowers can borrow as much as 110% of the after-rehabilitation appraised value of the property after contributing 3% of the purchase price from their own funds. Loans to borrowers will be limited to a maximum loan amount of \$475,000. Housing and debt ratios must meet the lender's guidelines.
8. **Loan Terms.** A loan will constitute a first mortgage on the property payable in fixed monthly payments over a 30-year term. Interest rate will be no more than the prevailing FHA fixed mortgage rate. No private mortgage insurance will be required.
9. **Other Requirements.** At least 3% of the borrowers own funds must be contributed. Borrowers must have a minimum 620 credit score, or a score accepted by the

participating bank. All new home purchasers must attend a homebuyer education workshop, to be offered by the non-profit organization or its designee.

10. ***Renovation Requirements.*** Borrowers must agree to make repairs/improvements to the purchased property in an amount equal to at least 10% of the acquisition price. Furthermore, at least \$5,000 of that amount must be spent on exterior renovations. Borrowers will hire a licensed, insured general contractor to undertake the improvements.

- C. **Use of Grant Funds.** Howard County will grant \$2,000,000 to Grantee to be used to establish a loan loss reserve for the loan program and to fund the Grantee's initial administrative fees in Section 4B of the Grant Agreement. It is anticipated that this level of funding will be sufficient to induce a lender or lenders to contribute up to \$20,000,000 to the loan pool. It will be a condition of the grant that, among other things, (a) the loan loss reserve will be held by the selected applicant in an interest-bearing account, and (b) the fund would be available to pay any actual losses after all collection and foreclosure efforts are exhausted pursuant to the grant agreement and related agreements.



**AGENCY FUND AGREEMENT**

This is a fund agreement (the "Agreement") made and effective on the 11<sup>th</sup> day of May, 2017 between the **Real Estate Charitable Foundation of Maryland (the "Organization")**, a corporation established under the non-profit corporation law of the State of Maryland, with its principal office located in Columbia, Maryland, and the **Community Foundation of Howard County (the "Community Foundation")** a corporation organized under the non-profit corporation law of said State with its principal office located at Columbia, Maryland.

WHEREAS, the Organization is a 501(c)(3) organization under the Internal Revenue Code of 1986, as amended.

WHEREAS, the parties to this Agreement have a common interest in the charitable and housing related environment in Howard County Maryland and in serving charitable and housing related purposes for the benefit of Howard County.

WHEREAS, each party is classified by the Internal Revenue Service of the U.S. Treasury Department as a "qualified charitable organization."

WHEREAS, the Community Foundation has been established with a principal purpose to receive and administer funds as endowments for various charitable and educational purposes and organizations primarily in the Howard County community,

WHEREAS, the Organization has entered into a Grant Agreement with Howard County through its Department of Housing and Community Development ("Howard County") for the purpose of providing services for a loan guarantee program designed to assist potential homebuyers to acquire and improve aging homes in Howard County, Maryland.

WHEREAS, Howard County has appropriated \$2,000,000 in its FY2017 budget to be used as a loan loss reserve for this proposed mortgage program which sums will be held by the Organization pursuant to the terms of its Grant Agreement with Howard County.

WHEREAS, the Organization is desirous of having the benefits of an agency fund with the Community Foundation for purposes of investing the aforesaid loan loss reserve funds.

NOW THEREFORE, in consideration of the mutual covenants contained herein, the

1. An agency fund shall be established with the Organization which shall be known as the **RENEW Loan Guaranty Fund (the "Fund") for the purpose of having funds available to pay any actual losses after all collection and foreclosure efforts are exhausted pursuant to the grant agreement between the Organization and Howard County and other related agreements.**
2. The Community Foundation shall have all powers necessary or in its sole discretion desirable to carry out the purposes of the Fund including, but not limited to, the power to retain, invest and reinvest the assets of the Fund in any manner it may see fit, without being subject to any investment restrictions, statutory or judiciary, which would otherwise be applicable to it as a fiduciary, and the power to commingle the assets of the Fund with those of other funds for investment purposes.
3. The Organization has been fully advised of the "variance power" inherent in the role of community foundations under IRS regulations. Variance power gives the Community Foundation the power "to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if in the sole judgment of the governing body such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served."
4. It is the intent of the undersigned that contributions to the Fund be invested in any of the following as determined by the Community Foundation's Investment Committee:
  - Cash & Cash Equivalents
  - Mutual Funds
  - Exchange Traded Funds
  - Individual Treasury Bonds
  - Treasury Inflation Protected Securities (TIPS)
  - Separately Managed Accounts (SMAs)
  - Certificates of Deposit

The goal for this Fund is to protect principal with conservative high credit quality investments and/or bank deposits while maintaining sufficient liquidity to meet potential distributions. The investment committee of the Foundation is responsible for selecting and overseeing investment, banking, and custodial professionals as necessary to meet the goals of this fund.

5. It is the intent of the parties that the principal and income of the Fund be distributed only to the Organization and to its successor or assign, if such successor or assign is the type to which an individual taxpayer may make deductible charitable contributions, gifts and bequests under the income, gift and estate tax provisions of

only to the Organization and to its successor or assign, if such successor or assign is the type to which an individual taxpayer may make deductible charitable contributions, gifts and bequests under the income, gift and estate tax provisions of the Internal Revenue Code of 1986, as amended, and the purposes of said organizations shall be consistent with the charitable needs or purposes of the Community Foundation, and only in accordance with the terms of the Grant Agreement.

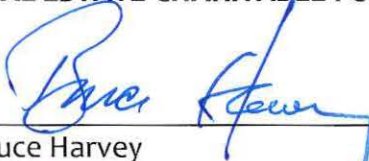
6. In the event that the Organization ceases to be a “qualified charitable organization” or ceases to exist and has no successor or assign, then the principal and income of the Fund shall be refunded to Howard County, Maryland pursuant to the terms of the Grant Agreement.
7. Notwithstanding anything in Section 5, distributions from the Fund may be made to the **Organization** in any year as determined by the governing board of the Community Foundation consistent with the requirements of law and with any restrictions or conditions which may be applicable to donations contributed to the Fund; specifically as outlined in the Grant Agreement.
8. The Community Foundation and the Organization intend that the income and principal of the Fund be distributed to the Organization pursuant to the terms of the Grant Agreement. Such distribution(s) may be made upon the Community Foundation’s receipt and approval of the written recommendation of two of the following officers of the Organization:
  - Board Chair
  - Secretary
  - President & CEO
  - Treasurer
9. The Fund shall be the exclusive property of the Community Foundation, held by it in its corporate capacity, and shall not be deemed a trust fund held by it in a trustee capacity. The Community Foundation shall have the ultimate authority and control over all property in the Fund. Recommendations of the **Organization** shall be solely advisory and not binding upon the Community Foundation, which shall have sole and absolute discretion to distribute the fund for the purposes contained in the agreement.
10. If the Community Foundation ceases to be a qualified charitable organization or if the

Foundation proposes to dissolve, the assets of the Fund shall, after payment or making provision for payment of any liabilities properly chargeable to the Fund, be refunded to Howard County, Maryland pursuant to the terms of the Grant Agreement.

11. The Fund will be charged for direct expenses incurred by the Community Foundation such as commissions for the sale of contributed stock or legal fees. The Community Foundation may request additional fees from the Organization for extraordinary services such as special grant processing and review (which may apply pursuant to a contract with the Community Foundation or after the death of the founder(s) of the Fund if no advisors are serving) or other non-standard services.
12. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

*Signatures on the following page*

**REAL ESTATE CHARITABLE FOUNDATION OF MARYLAND**



Bruce Harvey  
Chair, Board of Directors



Daniel Kelliher  
Secretary, Board of Directors

Real Estate Charitable Foundation of Maryland  
10630 Little Patuxent Parkway, Suite 315  
Columbia, MD 21044  
(410) 730-7840

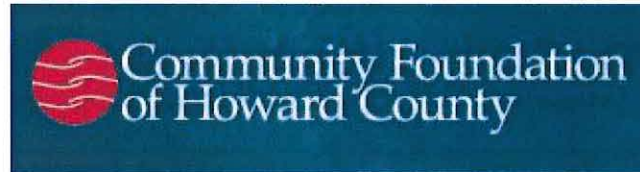
.....  
**COMMUNITY FOUNDATION OF HOWARD COUNTY**

Accepted by:



Beverly White-Seals  
President & CEO

Howard County Community Foundation  
10630 Little Patuxent Parkway, Suite 315  
Columbia, MD 21044  
(410) 730-7840



**Investment Policy  
for the  
The Community Foundation of Howard County**

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## **I. Introduction**

The Community Foundation of Howard County Endowment Fund is comprised of a limited partnership interest in a real estate project and the Investment Fund. The Investment Fund is the principal vehicle for the management of liquid assets. Donor-advised funds with differing distributions and recipients are co-mingled in the Investment Fund with the unrestricted endowment assets in brokerage and bank accounts for investment purposes.

### **Purpose**

The purpose of the Investment Fund is to create a perpetual source of funds so that The Community Foundation of Howard County can continue to meet the charitable needs of Howard County.

The purpose of this Investment Policy is to establish a clear understanding as to the investment goals, objectives and management policies applicable to the Investment Fund.

### **This statement:**

- Describes an appropriate risk position for the Investment Fund;
- Establishes investment guidelines regarding the selection of Investment Managers, permissible securities and diversification of assets;
- Specifies the criteria for evaluating the performance of the Investment Managers and of the Investment Fund as a whole; and
- Defines the responsibilities of the Board of Trustees, the Investment Committee, the President & Chief Executive Officer and other parties responsible for the management of the Investment Fund.

The Board of Trustees believes that the investment policies described in this statement should be dynamic. These policies should reflect the financial needs and circumstances of The Community Foundation of Howard County, the time horizon available for investment and the Board of Trustees' philosophy and duties regarding the investment of these assets. These policies will be reviewed and revised periodically to ensure they adequately reflect changes related to The Community Foundation of Howard County's financial condition and the Board of Trustees' tolerance for risk and the capital markets.

## **II. Information about The Community Foundation of Howard County**

**Address:** 10630 Little Patuxent Parkway, Suite 315, Columbia, MD 21044

**Telephone:** (410) 730 7840

**Primary Contact:** Beverly White-Seals, President & CEO

**Fiscal Year End:** December 31<sup>st</sup>

### **Mission Statement**

Inspiring life-long giving and connecting people, places and organizations to worthy causes across Howard County.

#### Tax/Regulatory Status

The Community Foundation of Howard County is organized as a non-profit organization in accordance with the Internal Revenue Service Regulations, Section 501(c)(3). Accordingly, the income and earnings of the organization are exempt from State and Federal taxes.

The assets of the Community Foundation of Howard County are titled in the name of Greater Horizons, which is also a 501(c)(3) organization. Accordingly, the income and earnings of the organization are exempt from State and Federal taxes.

#### Gifts of Securities

Gifts of securities to The Community Foundation of Howard County should be sold immediately and proceeds invested in the Investment Fund, unless specified to the contrary by the donor.

### **III. Responsibilities of Fund Representatives**

Please refer to Appendix 1 for a table on the governance structure of The Community Foundation of Howard County.

#### Board of Trustees

The **Board of Trustees ("Board")** is responsible for:

- Adopting and approving the investment policy and any updates or changes presented by the Investment Committee;
- Defining the investment objectives for the Foundation's investments;
- Determining the amount of distribution from the Unrestricted Fund;
- Determining the beneficiaries of the distribution from the Unrestricted Fund, taking into consideration the preference of the Named Funds within the Unrestricted Fund.

#### Investment Committee

The **Investment Committee ("Committee")** is appointed annually by the Board, the majority of whom will be members of the Board. The CEO and Board Chair are ex-officio members and count towards the quorum. The Committee is responsible for:

- Reviewing the investment policy annually and recommending to the Board changes to the policy, guidelines and objectives as needed;
- Recommending to the Board, the selection or termination of Investment Consultant(s), administrators, and custodians for each pool;
- Monitoring and evaluating the performance of each Investment Manager/fund and of the Investment Fund as a whole each quarter;
- Reviewing and reporting to the Board the actual asset allocation and performance at least each quarter-end in order to ensure compliance with asset allocation guidelines;
- Overseeing the actions of the President & Chief Executive Officer who has been delegated the responsibility for the day-to-day oversight of the Investment Fund; and
- Executing such other duties as may be described in this policy or delegated by the Board.

- Recommending to the Board the appropriate annual spending allocation based on the Spending Policy.
- Reviewing and approving limited partnerships as recommended by Investment Consultant(s).

President & Chief Executive Officer

The Committee has delegated to the **President & CEO**, a member of the Committee, the following responsibilities:

- The day-to-day oversight of The Community Foundation of Howard County's investment assets;
- Acting as the primary contact between The Community Foundation of Howard County, Greater Horizons and the Investment Consultant(s), Investment Manager(s), custodian, and any other parties interested in the management of The Community Foundation of Howard County's financial assets;
- Facilitating meetings and communications between the Committee and the Investment Consultant(s), Investment Manager(s) and custodian;
- 
- Maintaining appropriate records of the Investment Fund, including the minutes of Investment Committee meetings and supplying them to the Committee and the Board;
- Providing an accounting of the assets and the performance of the Investment Fund to the Board on an annual basis;
- Notifying the Investment Consultant(s) about any gifts of securities received in the Investment Fund and directing them to be sold immediately upon receipt;
- Keeping the Committee and the Investment Consultant(s) informed of any significant events that may impact The Community Foundation of Howard County; and
- Executing such other duties as may be described in this policy or delegated by the Committee.

Greater Horizons

Greater Horizons is responsible for the administration of contributions and withdrawals into the long-term portfolio and approving limited partnerships as recommended.

Investment Consultant(s)

The **Investment Consultant(s)**'s role is to manage the funds entrusted to it by the Investment Committee. The Investment Consultant must acknowledge in writing its acceptance of responsibility as a fiduciary. The day-to-day investment decisions will be managed on a discretionary basis by the Investment Consultant within the investment and governance parameters delineated in these investment policies. Specific responsibilities of the Investment Consultant include, but are not limited to :

- Reviewing investment policies and objectives, and suggesting appropriate changes to be approved by the appropriate responsible party at least on an annual basis;
- Proactive asset allocation concerning the existing fund assets and new contributions as

well as periodic rebalancing of the asset allocation. These responsibilities will include both asset allocation (stock, bond, cash mix) and style allocation (international versus domestic allocation, growth-style versus value-style equities, large-capitalization versus small-capitalization equities, and long versus short-term bonds);

- Rebalancing portfolio as necessary by executing transactions among approved managers to implement approved targets or to rebalance (for example, when cash is deposited or withdrawn).
- Hiring and terminating specific Investment Managers, who are consistent with the investment policies, objectives, asset allocation and style allocation strategy with the exception of limited partnerships which will require the approval of the Investment Committee;
- Measuring, evaluating and reporting the Investment Manager(s)' performance results on a quarterly basis;
- Attending quarterly meetings as requested;
- Maintaining contact with and reporting on changes within the Investment Manager(s)' organizations; and
- Providing ad hoc analyses related to the investment program and other services to support the Investment Committee, as requested.

#### Investment Manager(s)

The Investment Managers (which refers to separately managed accounts, mutual funds and exchange-traded funds) will have full discretion to make all investment decisions for the assets placed under their jurisdiction. It is the intention of The Community Foundation of Howard County to utilize mutual funds, exchange-traded funds, Treasury bonds, Treasury Inflation Protected Securities (TIPS), Limited Partnerships and structured products to implement the Investment Fund. For mutual funds, exchange-traded funds and other commingled funds, the prospectus or trust documents of the fund(s) will govern the investment policies of the fund investments. Where there are differences between the prospectus and this investment policy, the prospectus shall govern.

#### **IV. Investment Manager Selection Criteria**

Investment managers shall be chosen using the following factors:

- Past performance, considered relative to other investments having a similar investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance;
- Costs relative to other funds with like objectives and investment styles;
- The manager's adherence to investment style and size objectives;
- Size of the fund;
- Length of time the fund/manager has been in existence and length of time it has been under the direction of the current manager(s) and whether or not there have been material changes in the manager's organization and personnel;
- The historical volatility and downside risk of each proposed investment;

- How well each proposed investment complements other assets in the portfolio;
- The current economic environment;
- The likelihood of future investment success, relative to other opportunities; and
- Registration with appropriate regulatory bodies.

## **V. Spending Guidelines**

The following policy has been adopted for the annual distribution from all monies in the Investment Fund, with the final decision of the percentage and amount to be made each year by the Board of Trustees.

The distribution policy for the Investment Fund attempts to balance 1) the desire to make significant distribution of monies from the Investment Fund with 2) the fiduciary responsibility for the preservation of capital and growth of principal sufficient to offset the effect of inflation.

In balancing these competing values, the spending policy will be as follows:

- Distribute each year from the Investment Fund, an amount equal to a three-year average of 4% of the year-end market value of the Investment Fund.

The eligibility requirements for the Endow Maryland Tax Credit requires the following: “The fund must be a qualified permanent endowment fund that is held in perpetuity by an eligible community foundation and has an annual spending rate of 5% or less calculated using at least a 12-quarter trailing average of the total amount of the fund.”

This minimum distribution will be based on the calculation formula and not on what has been actually distributed in the previous year, if that is more. Beginning with the distribution based on year-end results for 2009, the distribution will be based on the market value of the Unrestricted Fund on September 30. In calculating the formula the market value of years prior to 2009, the year-end value of December 31 will continue to be used.

Prior to their action on the amount to be distributed from the Investment Fund, the President & Chief Executive Officer will be responsible for providing the Investment Committee and the Board of Trustees a written report with the following information relating to the Investment Fund: the year-end market value as of September 30 of the current year; the applicable year end value of the previous two years; the proposed amount of the distribution according to the Investment Policy, the percentage that represents of the year end value; and the amount of distributions from the Unrestricted Fund in the previous two years. The President & Chief Executive Officer will also be responsible for assuring that the distributions planned are compatible with relevant federal and state laws.

The Investment Committee will send to the Board of Trustees the policy calculation for that year’s distribution together with its recommendation. The Board of Trustees will make the final

determination of the amount and percentage of market value to be distributed from the Investment Fund for the year.

## **VI. Guidelines for the Investment Fund**

### Investment Objectives

The goal of The Community Foundation of Howard County's Investment Fund is to provide preservation of purchasing power and growth of principal in addition to providing a return for use by the Foundation and its donors for grants and operating expenses.

### Time Horizon

The investment guidelines, including the strategic asset allocation, are based upon an investment time horizon of 10+ years.

### Investment Guidelines

The assets in the managed account portion of the Investment Fund shall:

- Emphasize investments in marketable securities managed by professional Investment Managers;
- Be broadly diversified by asset class, investment style, number of issues, issue type, and other factors, consistent with the investment objectives outlines in this investment policy; and
- Be invested with prudent levels of risk and with the expectation that long-term total returns (yield plus capital appreciation) will maintain and may possibly increase the purchasing power of the Investment Fund.

### Allowable Investments

The following are allowable investments for the Investment Fund, as defined in Appendix 1 of this investment policy statement:

- Equities
- Fixed Income
- Alternative Investments
- Cash & Cash Equivalents

### Allowable Investment Vehicles

The Board shall be authorized to invest the Investment Fund as follows:

- Mutual Funds
- Exchange Traded Funds
- Individual Treasury Bonds
- Treasury Inflation Protected Securities (TIPS)
- Separately Managed Accounts (SMAs)
- Limited Partnerships [Any limited partnerships should be subject to the approval by the Investment Committee]

- Structured Products

#### Risk Tolerance

Investment theory and historical capital market return data suggest that, over long periods of time, there is a relationship between the level of investment risk assumed and the level of return that can be expected. In general, in order to attain higher returns one must accept higher risk (i.e., volatility of returns and/or of account values).

Given this relationship between risk and return, a fundamental step in determining the investment policy for the Investment Fund is the determination of the amount of risk the Board of Trustees can tolerate.

An understanding of investment risk influences how aggressively or conservatively a portfolio will be invested. Like a scale, risk needs to be balanced with the need for returns to achieve the investment goals. The Board of Trustees desires long-term investment performance sufficient to meet the goals. The Board of Trustees understands that to achieve such performance the portfolio may experience periods of decline. The Board of Trustees further understands that in a severe market correction, the potential recovery period could be extended.

The Board is comfortable with a risk level of the Investment Fund as measured by volatility (standard deviation) that is *similar to* the volatility level of the style index when measured over five-year rolling time periods and a full market cycle. This style index is defined in Appendix 3.

#### Portfolio Return Objectives

The objectives of the Investment Fund represent a long-term goal of maximizing the returns without exposure to undue risk, as defined herein. It is understood that fluctuating rates of return are characteristic of the securities markets. The primary concern should be long-term appreciation of the assets and consistency of total portfolio returns. Recognizing that short-term market fluctuations may cause variations in the account performance, the expectations of the account will be to achieve the following objective over a ten-year time period:

- Growth of the portfolio in real terms after meeting spending guidelines to be measured as CPI + Spending (4%)

#### Asset Allocation

In order to manage the risks and rewards of the Investment Fund, the following asset categories and ranges have been selected as guidelines for the endowment fund assets. The broad diversification by asset class is designed to help control the volatility of returns of the Investment Fund.

ASSET CLASS	MINIMUM	MAXIMUM	COMPOSITE BENCHMARK
U.S. Large Capitalization Stocks	15%	35%	S&P 500
U.S. Mid Capitalization Stocks	0%	10%	Russell Mid Cap
U.S. Small/Micro Capitalization Stocks	0%	10%	Russell 2000
U.S. Micro Capitalization Stocks	Note <sup>1</sup>	Note <sup>1</sup>	Russell 2000
International Developed Markets	10%	20%	MSCI EAFE (net) Index
International Emerging Markets	0%	5%	MSCI Emerging Markets (net) Index
Real Estate Investment Trusts	0%	5%	Wilshire RESI Index
<b>TOTAL EQUITIES</b>	<b>25%</b>	<b>70%</b>	
Core Bonds	0%	20%	Barclays Aggregate Bond Index
International Bonds	0%	5%	Citigroup Non-US World Govt. Bond Index
High-Yield Bonds	0%	5%	Barclays Aggregate Bond Index
Laddered US Treasuries/Govt. Bonds	10%	60%	Citigroup 1-10 Year Govt./Credit Bond Index
Laddered US TIPS	Note <sup>2</sup>	Note <sup>2</sup>	Citigroup 1-10 Year Govt./Credit Bond Index
<b>TOTAL FIXED INCOME</b>	<b>15%</b>	<b>75%</b>	
Alternative Strategies	5%	30%	
<b>TOTAL ALTERNATIVE INVESTMENTS</b>	<b>5%</b>	<b>30%</b>	HFRX Fund of Funds Index
Cash	0%	25%	Citi Treasury Bills 30 Day
<b>TOTAL CASH</b>	<b>0%</b>	<b>25%</b>	

## VII. Restrictions

The Investment Fund may not be invested in the following:

- Purchases of letter stock, private placements (including "144A" securities), or direct payments;
- Purchases of real estate, oil and gas properties, or other natural resources related

<sup>1</sup> Permit Micro Cap Equities in the Small Cap Equities class.

<sup>2</sup> A single asset class for the laddered Treasury bond portfolio, eligible for TIPS or regular Treasuries as determined by the Committee.

- properties with the exception of Real Estate Investment Trusts (REITs);
- Debt issued by real estate investment trusts;
- and
- Any other security transaction not specifically authorized in this policy statement, unless approved, in writing, by the Board.

The following transactions are generally restricted. However, they may be allowed only in certain mutual funds, exchange-traded funds or other commingled funds, invested in alternative strategies:

- Short sales;
- Leveraged transactions;
- Commodities transactions;
- Puts, calls, straddles, or other option strategies; and
- Managed futures.

See Appendix 5 for Treatment of Excess Business Holdings in Donor-Advised Funds.

### **VIII. Rebalancing**

The portfolio will be reviewed at least on a quarterly basis and more frequently if required, to ensure that the Investment Fund remains within the approved asset allocation guidelines. The rebalancing of the portfolio has been delegated to the Investment Consultant(s) who will recommend rebalancing of the portfolio, if required, to the President & CEO or Chair.

### **IX. Performance Evaluation**

The Committee will report the performance of the Investment Fund on a quarterly basis to the Board of Trustees, through the Investment Committee.

The Committee will evaluate each Investment Manager's contribution in achieving the investment objectives outlined in this document over at least a five-year time horizon. The Committee realizes that most investments go through cycles. Therefore, there will be periods of time in which the investment objectives are not met or when some Investment Managers fail to meet their expected performance targets.

The Investment Fund's performance should be reported in terms of rate of return and changes in dollar value. The returns should be compared to appropriate market indexes for the most recent quarter and for annual and cumulative prior time periods. It is desired that the Investment Fund earn returns higher than the "market," as represented by a mix of indices reflective of The Community Foundation of Howard County's strategic allocation.

The Community Foundation of Howard County's Investment Fund is expected to exceed the average annual return of this style index (defined in Appendix 4) on a risk-adjusted basis over a five-year rolling time period and a full market cycle.

The Investment Fund's asset allocation shall be reported on a quarterly basis.

Each Investment Managers' performance will be evaluated in similar fashion according to the performance standards summarized in Appendix 2.

### **X. Investment Monitoring and Control Procedures**

#### Reports

The Investment Consultant(s) shall provide Greater Horizons with monthly statements for each account held by The Community Foundation of Howard County and subject to this Investment Policy. Such reports shall show values for each asset and all transactions affecting assets within the portfolio, including additions and withdrawals.

The Consultant(s) shall provide the Investment Committee the following management reports on a quarterly basis:

- Portfolio performance results over varying time periods
- Performance results of comparative benchmarks over varying time periods
- Review of current asset allocation versus policy guidelines
- An annual report showing the portfolio's performance after adjustments for additions, withdrawals, gain or loss and inflation.
- Any recommendations for changes to the above reports

#### Meetings and Communications with Investment Consultants

Investment Consultants shall meet with the Investment Committee approximately quarterly to review and explain the Investment Fund's performance and any related issues. Investment Consultant(s) shall also be available on a reasonable basis for telephone and email communication as needed.

At the quarterly meetings, the Investment Consultant(s) shall keep the Investment Committee apprised of any material changes in their outlook, report any recent changes to Investment Managers and recommend changes to limited partnerships if any.

Any recommendations for limited partnerships shall be presented in advance to the Investment Committee for approval. At the Committee meeting following receipt of the recommendations to add or change limited partnerships, the Committee shall discuss the recommendations and by motion either adopt, modify, table or reject the recommendation.





**Adoption**

The Board of Trustees have reviewed, approved and adopted this Investment Policy Statement. This Investment Policy is to be reviewed periodically by the Investment Committee to determine if any revisions are warranted by changing circumstances including, but not limited to changes in financial status, risk tolerance or changes involving Investment Managers. The Board of Trustees, in consultation with the Investment Committee, reserves the right to make any changes to this Investment Policy Statement as deemed necessary. All such changes will be made in writing and the Investment Consultant(s) will be duly informed.

  
\_\_\_\_\_  
**Chair, Board of Trustees**

5/11/17  
\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Chair, Investment Committee**

\_\_\_\_\_  
**Date**

**Appendix 1: Community Foundation of Howard County Investment Policy Governance**

<b>Fiduciary Level</b>	<b>Investment Policy</b>	<b>Asset Allocation</b>	<b>Asset Class Strategy</b>	<b>Portfolio of Managers</b>	<b>Security Selection</b>
<b>Board</b>	Decides	Oversees			
<b>Investment Committee/Staff</b>	Recommends	Oversees	Oversees	Oversees	
<b>Greater Horizons</b>	none	none	none	none	none
<b>Investment Consultant(s)</b>	Recommends	Decides s	Decides	Decides	Oversees
<b>Investment Managers</b>					Decides

## Appendix 2: Asset Class Definitions & Style Indices

### Equities

The equity asset classes should be maintained at risk levels roughly equivalent to the sectors of the market represented, with the objective of exceeding a nationally recognized index measuring the performance of the designated sector over a three-year moving time period net of fees and commissions. Mutual funds and/or exchange-traded funds conforming to the policy guidelines may be used to implement the investment program. The following definitions shall apply for the purposes of this policy:

*U.S. Large Capitalization Stocks:* A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value exceeding \$6.0 billion and primary shares of which are traded on a major U.S. stock exchange.

These are indexed against the Standard & Poor's (S&P) 500 Index.

*U.S. Mid Capitalization Stocks:* A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value between \$2.0 billion and \$6 billion and primary shares of which are traded on a major U.S. stock exchange.

These are indexed against the Russell Mid Cap Index.

*U.S. Small Capitalization Stocks:* A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value less than \$2 billion.

These are indexed against the Russell 2000 Index.

*U.S. Micro Capitalization Stocks:* A portfolio of stocks comprised primarily of U.S. based companies with the average of the stocks held having a market value between \$50 million and \$300 million. They typically trade on the over-the counter (OTC) market.

These are indexed against the Russell Micro Cap Index.

*International Developed Markets:* Stocks of non-U.S. based companies, located in developed international markets, the primary shares of which are traded on exchanges outside the U.S.

These are indexed against the MSCI EAFE Index.

*International Emerging Markets:* Stocks of non-U.S. based companies, located in emerging markets, the primary shares of which are traded on exchanges outside the U.S.

These are indexed against MSCI Emerging Index.

*Real Estate Securities (REITs):* Equity REITs, mortgage REITs, CMO or mortgage-related securities REITs, Health Care REITs, and equities of real estate operating companies. Equity REITs are those securities that meet the National Association of Real Estate Investment Trusts' (NAREIT) asset mix definition of an equity REIT (currently, equity REITs are those where 75% of assets are equity financed properties). REITs may be perpetual life REITs or finite life REITs.

These are indexed against the Wilshire RESI Index.

### Alternative Investments

Alternative investments represent investments in strategies that seek to provide diversification through innovative and flexible strategies (such as the ability to short, add leverage and hedge). Diversification standards within each investment shall be according to the prospectus. Investments in these strategies carry special risks. The fund(s) may utilize aggressive investment strategies, trade in volatile securities, and use leverage in an attempt to generate superior investment returns.

Some of the underlying strategies are:

*Market Neutral:* A strategy in which the manager seeks to profit from both increasing and decreasing prices in a single or numerous markets. Such strategies are often achieved by taking matching long and short positions in different stocks to increase the return from making good stock selections and decreasing the return from broad market movements.

*Alternative Beta-Replication:* Alternative beta-replication strategies are designed to deliver the broad market exposures of the hedge fund universe through a mutual fund or exchange-traded fund. This is achieved from exposure to liquid broad market factors. Beta-replication is based on the idea that hedge fund returns can be broken down into different return components: alpha returns, linear and non-linear beta returns, and fund-specific returns. Beta returns arise from factors driven by systematic market risks, and they are deemed to be 'good risks' as they carry a premium. Beta measures the sensitivity of hedge fund returns with respect to a given risk factor and indicates how much factor risk the portfolio is exposed to.

*Absolute Return:* Absolute return strategies aim to produce a positive absolute return regardless of the directions of financial markets. They typically achieve this by investing the portfolio's assets in low volatility investments and then taking hedging long and short positions in portfolios of securities that, when combined, are expected to have modest exposures to market returns. Absolute returns strategies attempt to have low correlation with financial market performance.

*Arbitrage Strategies:* Arbitrage is an investment technique used to take advantage of price differences in separate markets to generate profits without risk. Arbitrage is carried out by the simultaneous purchase and sale of an asset in order to profit from a difference in the price. It is a trade that profits by exploiting price differences of identical or similar financial instruments, on different markets or in different forms. Arbitrage opportunities exist as a result of market

inefficiencies.

*Long-Short Strategy:* A long-short strategy is an investing strategy that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Ideally, the long position will increase in value, and the short position will decline in value. If this happens, and the positions are of equal size, the long-short fund will benefit. The strategy will work even if the long position declines in value, provided that the long position outperforms the short position. Thus, the goal of any long-short strategy is to minimize exposure to the market in general, and profit from a change in the difference (or spread) between two stocks.

*Hedged Equity:* Equity hedging techniques can reduce portfolio volatility, when used appropriately. Two very basic hedging techniques can be effective tools for controlling portfolio risk when used together, particularly when markets are volatile. Selling **index call options** and buying **index put options** are relatively conservative strategies that can be used to help protect the overall value of a stock portfolio by generating income and limiting losses caused by sharp market declines over a short period of time.

- **Selling index call options:** against portfolio holdings allows managers to collect option premiums in any market environment. In particular, the portfolio receives cash (the “premium”) from the purchaser. The purchaser of an index call option has the right to any appreciation in the value of the index over a fixed price (the “exercise price”) on a certain future date. Since the portfolio will have collected the premium in return for giving up potential stock appreciation, sales of index call options tend to add to relative return compared to owning an unhedged stock portfolio – in a flat or fluctuating stock market. Conversely, in a strong upwardly trending market, the sale of index call options may not compare favorably to an unhedged stock portfolio, though they will mitigate risk.
- **Buying index put options:** against portfolio holdings can help decrease the potential for loss if the stock market declines sharply over a short period of time (although the cost of buying put protection reduces total return if the market does not go down).

*Managed Futures:* Managed Futures is a strategy in which professional portfolio managers, known as Commodity Trading Advisors (CTAs), use futures contracts as a part of their overall investment strategy. Managed futures provide portfolio diversification among various types of investment styles and asset classes to help mitigate portfolio risk in a way that is not possible in direct equity investments. A diversified managed futures portfolio will generally have exposure to a number of markets such as commodities, energy, agriculture and currency. Introducing futures into a portfolio reduces risk because of the negative correlation between asset groups.

These are indexed against HFRI Fund of Funds Index.

## Fixed Income

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings, and maturity premiums. Mutual funds

and/or exchange-traded funds conforming to the policy guidelines may be used to implement the investment program. The weighted average maturity of the fixed income portion must be 10 years or less. The following definitions shall apply for the purposes of this policy:

*Core Bonds:* A portfolio comprised primarily of fixed income securities denominated in U.S. dollars issued by the U.S. Government or U.S. corporations rated investment grade (“BBB”) or better.

These are indexed against Barclays Aggregate Bond Index.

*Treasury Inflation Protected Securities (TIPS):* A special type of Treasury note or bond that offers protection from inflation. Like other Treasuries, it pays interest every six months and pays the principal when the security matures. The difference is that the coupon payments and underlying principal are automatically increased to compensate for inflation as measured by the Consumer Price Index (CPI). These are a sub-set of core bonds.

These are indexed against Barclays US Treasury Inflation Protected Securities Index.

*International Bonds:* These are issued by non-US governments or corporations and over significant portfolio diversification, since US government and corporate debt often move in a similar manner to U.S. specific events. These bonds most often trade in the currencies of their domestic markets.

These are indexed against Citigroup Non-US World Govt. Bond Index.

*High-Yield Bonds:* A portfolio comprised primarily of fixed income securities denominated in U.S. dollars issued by the U.S. Government or U.S. corporations rated below investment-grade, with high "risk-adjusted" returns. The credit risks of these bonds are compensated for by their higher yields.

These are indexed against Barclays High-Yield Index.

### Cash and Equivalents

It is generally expected that the Investment Manager(s) will remain fully invested in equities; however, it is recognized that cash reserves may be utilized from time to time to provide liquidity or to implement some types of investment strategies. Cash reserves should be held in the custodian’s money market fund, short-term maturity Treasury securities, insured savings instruments of commercial banks and savings and loans.

Transactions or unanticipated market actions that cause a deviation from these policy guidelines should be brought to the attention of the Committee by the Investment Manager(s) prior to executing transactions, when practical. Such deviations may be authorized in writing by the Committee when they determine that the deviation does not constitute a material departure from the spirit of this policy.

These are indexed against the Citigroup Treasury Bills 30-Day Index.

### Appendix 3: Performance Standards

It is desired that each Investment Manager produce a level of return higher than the "market", as represented by the style index standards shown in the table below. Each Investment Manager is expected to exceed the average return of the style index on a risk-adjusted basis over five-year time periods. The exchange-traded funds and mutual funds shown in the table below are recommendations by the Investment Consultant, approved by the Committee and are subject to change in the future.

<b><i>Investment Objective/ Investment Style</i></b>	<b><i>Benchmarks</i></b>
Large Capitalization	100% S&P 500 Total Return Index
Mid Capitalization	100% Russell Mid Cap Index
Small & Micro Capitalization	100% Russell 2000 Index
International Developed	100% MSCI EAFE Net Index
Emerging Markets	100% MSCI Emerging Markets Net Index
Real Estate Securities	100% Wilshire RESI Index
International Bonds	100% Citigroup Non-US World Govt. Bond Index
Domestic Fixed Income	100% Citigroup 1-10 Year Govt./Credit Bond Index
Alternative Investments	100% HFRX Global Hedge Fund
Cash	100% Citi T-Bills 30 Days Index

#### Appendix 4: Style Index

**Primary Benchmark:** The portfolio should earn long-term returns in excess of CPI+4%.  
Volatility should be similar to the style index.

<i>Target Weight (Approved Oct 2010)</i>	<i>Asset Class</i>
22.3%	Large Capitalization
7.4%	Mid Capitalization
3.7%	Small & Micro Capitalization
10.0%	International Developed
1.6%	Emerging Markets
1.5%	Real Estate Securities
5%	International Bonds
26.5%	Domestic Fixed Income
20.0%	Alternative Investments
2.0%	Cash

## **Appendix 5: Treatment of Excess Business Holdings in Donor-Advised Funds**

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rules now apply to donor advised funds as if they were private foundations.<sup>3</sup> That is, the holdings of a donor advised fund in a business enterprise, together with the holdings of persons who are disqualified persons with respect to that fund, may not exceed any of the following:

- Twenty percent<sup>4</sup> of the voting stock<sup>5</sup> of an incorporated business
- Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity

Ownership of unincorporated businesses that are not substantially related to the fund's purposes is also prohibited.

Donor advised funds receiving gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) will have five years to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. Funds that currently hold such assets will have much longer period to divest under the same complicated transition relief given to privation foundations in 1969.<sup>6</sup>

### **What is a business enterprise?**

A "business enterprise" is the active conduct of a trade or business, including any activity which is regularly carried on for the production of income from the sale of goods or the performance of services. Specifically excluded from the definition are:

- Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
- Income from dividends, interest, royalties from the sale of capital assets
- Income from leases unless the income would be taxed as unrelated business income
- "Functionally-related" businesses and program-related investments
- Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains). This will have the effect of excluding

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<sup>3</sup> The language is clear that it is only the donor advised fund – not the sponsoring charity – that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity's investment pools, or assets held by funds that are not donor advised.

<sup>4</sup> Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.

<sup>5</sup> Additionally, the donor advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the de minimis rule, the donor advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value. Additional rules apply to cover situations such as mergers, redemptions, and acquisitions.

<sup>6</sup> Excess holdings acquired by purchase must be disposed of immediately. If purchases by disqualified persons cause the donor advised fund to have excess holdings, the donor advised fund will have 90 days to dispose of the excess.

gifts of interests in most family limited partnerships, and other types of holding company arrangements.

**Who is a disqualified person?**

Donors and persons appointed or designated by donors are disqualified persons if they have – or reasonably expect to have – advisory privileges with respect to the donor-advised fund by virtue of their status as donors. Members of donors’ and advisors’ families are also disqualified, but the section does not define “family” and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent controlled entities as defined in section 4958(f)(3)

**Assets categorized under the PPA as “Excess Business Holdings”**

The Foundation will identify and monitor any new gift to a donor advised fund of any interest qualifying as an “excess business holding” under the PPA. The Foundation will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the PPA. In any event, the Foundation will disposed of any excess business holding prior to the five year time limit, except in the event that the Treasury Department grants an additional five year holding period. The Foundation will notify potential donors of such interests of this requirement prior to the contribution of such interest.

**EXHIBIT D**

**FORM DISBURSEMENT REQUEST**

[INSERT LETTERHEAD]

Ms. Holly Sun  
Budget Administrator  
Howard County Budget Office  
3430 Courthouse Drive  
Ellicott City, Maryland 21043

Re: Grant for Howard County Revitalizing Neighborhoods Every Where –  
RENEW Howard  
Disbursement Request of Grant Proceeds to Real Estate Charitable Foundation of  
Maryland,

Dear Ms. Sun:

Howard County has entered into a Grant Agreement with the Real Estate Charitable Foundation of Maryland (the “Grantee”) to provide \$2 million to set up a loan loss reserve fund related to the RENEW Howard program, which will be monitored by the Department of Housing and Community Development (the “Department of Housing”).

Pursuant to the Grant Agreement, the County shall disburse the Grant Funds to the Grantee upon notification from the Department of Housing that the Grantee has set up the Loan Loss Reserve Fund.

The Real Estate Charitable Foundation of Maryland asserts that it has set up the Loan Loss Reserve Fund hereby makes request for delivery of the Grant proceeds. The Real Estate Charitable Foundation of Maryland asserts that it will use the Grant proceeds and provide the County with all reporting pursuant to the terms of the Grant Agreement.

Sincerely,

Beverly White-Seals

Cc: Kelly Cimino