

LOAN RESERVE LETTER
(Procedure B)

[Federally insured Financial Institution letterhead]

Date _____

Sarita Nair
Chief Administrative Officer
City of Albuquerque
P.O. Box 1293
Albuquerque, NM 87103

RE: Loan Reserve for [Developer's name as stated in Infrastructure Improvements Agreement]

City of Albuquerque Project No.: _____

Project Name: _____

Dear Ms. Nair:

This is to advise the City of Albuquerque ("City") that, at the request of [Name:] _____ [name of financial institution:] _____ ("Financial Institution") in [city:] _____ [state:] _____, holds as a loan reserve the sum of [written amount:] _____ (\$ _____) ("Loan Reserve") for the exclusive purpose of providing the financial guaranty which the City requires [Developer's name as stated in agreement:] _____ ("Developer") to provide for the installation of the improvements which must be constructed at [name of Developer's Property:] _____, Project No. _____ ("Project"). The amount of the Loan Reserve is 125% of the City's estimated cost of the Project, as required by the City's Integrated Development Ordinance. The improvements are identified in the agreement between the City of Albuquerque and Developer, which was recorded on [date, leave blank:] _____, 2017 in the records of the Clerk of Bernalillo County, New Mexico in Book Misc. [leave blank:] _____, pages [leave blank:] _____ to [leave blank:] _____ ("Agreement").

1. Reduction of Reserve. If the City Engineer, or that person's authorized designee, determines that it is appropriate to release a specified amount of the loan reserves as a result of the Developer's construction of a portion of the required infrastructure, then the City Engineer, or that person's authorized designee, may execute an "Authorization to Release" which will authorize the Financial Institution to release a specified amount from the loan reserves. The Authorization to Release will state the amount of the "Reduced Loan Reserve Balance" which must be maintained following the reduction. The Reduced Loan Reserve Balance shall not be reduced by more than 90% of the City's estimated cost of the Project until the Project is accepted by the City. When the Financial Institution receives the Authorization to Release, which has been signed by the City, the Financial Institution may reduce the loan reserve to the Reduced Loan Reserve Balance.

2. Liability of Financial Institution. Although the City may approve the Financial Institution's release of a part of the loan reserves, the approval will not constitute the City's final acceptance of part or all of the Project. However, no matter what agreement exists between the Developer and the City, the total liability of the Financial Institution to the City with respect to the loan reserves established pursuant to this Loan Reserve Letter shall at all times be limited to the lesser of the amount stated in this Loan Reserve Letter or the latest Reduced Loan Reserve Balance authorized in writing by the City, and the Financial Institution's liability to the City under this Loan Reserve Letter shall cease upon termination of the loan reserve as provided in Section 4. herein.

3. Draw on Reserve. If by [insert "Construction Completion Deadline" as stated in Agreement:] _____, 20__, the improvements described in the Agreement have not been fully installed, inspected, approved and accepted by the City, then, upon presentation between [insert Construction Completion Deadline:] _____, 20__, and [60 days thereafter:] _____, 20__, inclusive, the City may demand payment from the Financial Institution up to the lesser of the amount stated in this Loan Reserve Letter or the latest Reduced Loan Reserve Balance authorized in writing by the City. The City may demand payment by delivering to the Financial Institution a certified "Demand for Payment" executed by the CAO or the CAO's authorized designee, which shall state that the Developer has failed to comply with the terms of the Agreement and also shall state the estimated cost of completing the improvements specified in the Agreement ("Estimated Cost of Completion"). Upon receipt of the Demand for Payment, the Financial Institution promptly shall draw from the loan reserves by cashier's check to the City of Albuquerque the amount of 125% of the estimated cost of completion, not to exceed the lesser of the total Loan Reserve amount stated in this Loan Reserve Letter or the latest Reduced Loan Reserve Balance authorized in writing by the City. The Financial Institution shall deliver the cashier's check promptly to the City.

4. Termination of Reserve. This loan reserve is for the benefit of the City and shall be irrevocable until the occurrence of one of the following:

A. Sixty (60) days after the City accepts the completed improvements specified in the Agreement; or

B. City delivery of the Demand for Payment and the Financial Institution's payment to the City by cashier's check as required in Section 3 herein; or

C. Expiration of the date [60 days after Construction Completion Deadline:] _____, 20____; or

D. Written termination of this Loan Reserve Letter, signed by the Chief Administrative Officer of the City.

Very truly yours,
[Name of financial institution:]

By: _____
Title: _____

ACCEPTED:
CITY OF ALBUQUERQUE

By: _____
Sarita Nair
Chief Administrative Officer

Dated: _____