

## LOAN AGREEMENT

(General Obligation - Tax Exempt)

AGREEMENT, dated July 1, 2013, between the VERMONT MUNICIPAL BOND BANK, a body corporate and politic constituted as an instrumentality of the State of Vermont exercising public and essential governmental functions (hereinafter referred to as the "Bank"), created pursuant to the provisions of 24 V.S.A., Chapter 119, as amended (hereinafter referred to as the "Act"), having its principal place of business at Winooski, Vermont, and the Town of Hinesburg (hereinafter referred to as the "Municipality"):

### W I T N E S S E T H:

WHEREAS, pursuant to the Act, the Bank is authorized to make loans of money (hereinafter referred to as the "Loan" or "Loans") to Governmental Units; and

WHEREAS, the Municipality is a Governmental Unit as defined in the Act, and pursuant to the Act is authorized to accept a Loan from the Bank, to be evidenced by its Municipal Bond purchased by the Bank, and the proceeds of which will be held for the benefit of the Municipality by U.S. Bank, N.A., as disbursing agent (the "Disbursing Agent") subject to requisition as set forth herein; and

WHEREAS, the Municipality is desirous of borrowing money from the Bank for purpose of paying the costs of certain capital improvements, as described in Exhibit C to the Municipality's Tax Certificate (the "Project Costs"), in the amount of \$1,055,200 and has applied to and has requested of the Bank a Loan in such amount, and the Municipality has duly authorized the issuance of bonds in the principal amount of \$1,055,200, of which a bond(s) in the amount of \$1,055,200 (the "Municipal Bond") is to be purchased by the Bank as evidence of the Loan in accordance with this Agreement, which Municipal Bond shall be in substantially the form appended hereto by the Municipality as Exhibit B; and

WHEREAS, to provide for the issuance of bonds of the Bank (the "Bank Bonds") in order to obtain from time to time monies with which to make such Loans, the Bank has adopted the General Bond Resolution on May 3, 1988 (herein referred to as the "Bond Resolution") and will adopt a supplemental resolution authorizing the making of such Loan, inter alia, to the Municipality and the purchase of the Municipal Bond;

NOW, THEREFORE, the parties agree:

1. The Bank hereby makes the Loan and the Municipality accepts the Loan in the amount of \$1,055,200. As evidence of the Loan made to the Municipality and such money borrowed from the Bank by the Municipality, the Municipality hereby sells to the Bank the Municipal Bond in the amount of \$1,055,200. The Municipal Bond shall bear interest from the date of its delivery to the Bank at such rate or rates per annum as will

result in an interest cost rate to the Municipality of \_\_\_% [as calculated by the “IBA” or “Interest Cost Per Annum” method]. The interest cost rate for purposes of this Loan Agreement will be computed without regard to Section 4 hereof which requires that the Municipality make funds available to the Bank for the payment of principal and interest on the fifteenth (15<sup>th</sup>) day of the month prior to each respective principal and interest payment date of the Bank Bonds. Notwithstanding the foregoing, the Municipal Bond shall bear interest at such rate or rates as shall be required for the Municipal Bond to comply with Section 601(2) of the Bond Resolution.

2. (a) The Municipality hereby acknowledges that the Bank has entered, or will enter, into a disbursing agent agreement with the Disbursing Agent for the deposit and disbursement of the proceeds of the Municipal Bond.

(b) Pending their disbursement, the proceeds of the Municipal Bond shall be held by the Disbursing Agent. From time to time the Municipality shall requisition from the Disbursing Agent portions of the Municipal Bond proceeds necessary to pay Project Costs. Such requisitions shall be made in the form attached hereto as Exhibit C. The Municipality shall certify to the Bank and to the Disbursing Agent the name(s) and the title(s) of the person(s) authorized to execute and submit such requisitions.

(c) Proceeds of the Municipal Bonds held by the Disbursing Agent shall be invested by the Disbursing Agent at the direction of the Municipality in accordance with the provisions of the Tax Certificate and consistent with the Investment Policy of the Bank.

(d) At the time of submission of the final requisition for Project Costs relating to the Project, including all retainage of Project Costs, the Municipality shall provide to the Disbursing Agent and the Bank a Completion Certificate, in accordance with the provisions of Section 2(e).

(e) The Municipality shall proceed with due diligence to complete the Project. Completion of the Project shall be evidenced by a certificate signed by the Municipality delivered to the Disbursing Agent and Bank stating that the Project has been substantially completed so as to permit efficient use in the operations of the Municipality and setting forth any Project Costs remaining to be paid from the Project Fund established with the Disbursing Agent.

3. The Municipality has duly adopted or will adopt, prior to the Bank’s purchase of the Municipal Bond, all necessary resolutions and has taken or will take, prior to the Bank’s purchase of the Municipal Bond, all proceedings required by law to enable it to enter into this Loan Agreement and issue its binding obligations to the Bank.

4. The Municipality shall make funds sufficient to pay interest as the same becomes due available to the Bank on the fifteenth (15<sup>th</sup>) day of the month prior to each Bank Bonds interest payment date. The Municipality shall make funds sufficient to pay the principal as the same matures (based upon the maturity schedule provided by and for

the Municipality and appended hereto as Exhibit A) available to the Bank on the fifteenth (15<sup>th</sup>) day of the month prior to each Bank Bond's principal payment date.

5. The Municipality is obligated to pay fees and charges to the Bank (hereinafter referred to as the "Fees and Charges") within thirty (30) days of demand by the Bank. Such Fees and Charges actually collected from the Municipality shall be in an amount sufficient, together with other monies available therefor, including any grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof:

(a) To pay, as the same becomes due, the administrative expenses of the Bank;

(b) To pay an allocable share of financing costs incurred with respect to a series of Bank Bonds, including fees and expenses of the attorney or firm of attorneys of recognized standing in the field of municipal law selected by the Bank, trustees' and paying agents' fees and expenses, costs and expenses of financial consultants, underwriters or placement agencies, printing costs and expenses, the payment to any officers, departments, boards, agencies, divisions and commissions of the State of Vermont of any statement of cost and expense rendered to the Bank pursuant to Section 4556 of the Act, and all other financing and other miscellaneous costs.

(c) To pay an amount equal to a reasonable estimate of the interest that could have been earned by the Bank on any funds advanced by the Bank for the purposes described in 4(a) and 4(b) above, calculated at a rate equal to the highest rate on the Bank's unrestricted investments for the period during which such advances remain outstanding.

6. The Municipality is obligated to make the principal portion of the Municipal Bond payments scheduled by the Bank on an annual basis and is obligated to make the interest portion of the Municipal Bond payments on a semi-annual basis and to pay the Fees and Charges imposed by the Bank as set forth in Section 5 hereof.

7. The Bank shall not sell and the Municipality shall not redeem any part of the Municipal Bond prior to the date on which all outstanding bonds of the Bank issued with respect to such Loan are redeemable, and in the event of any sale or redemption prior to maturity of the Municipal Bond thereafter, the same shall be in an amount equal to the aggregate of (i) the principal amount, interest accrued to the redemption date and redemption premium, if any, needed to redeem a sufficient amount of Bank Bond to assure Bank compliance with Section 601(2) of the Bond Resolution and (ii) the costs and expenses of the Bank in effecting the redemption of the Bank Bond so to be redeemed, less the amount of monies available in the applicable sub-account or sub-accounts in the redemption account established by the Bond Resolution and available for withdrawal from the Reserve Fund and for application to the redemption of Bank Bonds so to be redeemed in accordance with the terms and provisions of the Bond Resolution, as determined by the Bank.

In no event shall any such sale or redemption of the Municipal Bond be effected without the written agreement and consent of both parties hereto, which agreement shall specify the dollar amount to be paid by the Municipality.

8. Simultaneously with the delivery of the Municipality's Bond to the Bank, the Municipality shall furnish to the Bank an opinion of bond counsel satisfactory to the Bank which shall set forth among other things the unqualified approval of the Municipal Bond then being delivered to the Bank and that the Municipal Bond will constitute a valid and binding obligation of the Municipality.

9. The Municipality shall be obligated to inform in writing the Bank and the corporate trust office of the trustee for the Bank Bonds at least thirty (30) days prior to each June 1st and December 1st of the name of the official to whom invoices for the payment of interest and principal should be addressed.

10. Notwithstanding Paragraph 13 hereof, prior to payment of the amount of the Loan, or any portion thereof, and the delivery of the Municipality's Bond to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations hereunder if:

(a) Any representation made by the Municipality to the Bank in connection with its application for Bank assistance shall be incorrect or incomplete in any material respect.

(b) The Municipality has violated commitments made by it in its application and supporting documents or has violated any of the terms of this Loan Agreement.

11. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

12. This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments, and take such other actions as are necessary, to give effect to the terms of this Loan Agreement.

13. No waiver by either party of any term or condition of the Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase, or other provision of this Loan Agreement.

14. This Loan Agreement merges and supersedes all prior negotiations, representations, and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

15. (a) To the extent the Municipality does not qualify for an arbitrage rebate exception under Section 148 of the Code, the Municipality agrees to provide to the Bank such information and detailed records as is required, and not otherwise available from the Disbursing Agent, for the calculation by the Bank of the rebate requirement imposed by Section 148 of the Code which, in part, will require a determination of the difference between the actual aggregate earnings of all investments of Municipal Bonds proceeds and the amount of such earnings assuming a rate of return equal to the yield on the Municipal Bond.

(b) The Municipality shall cause the rebate amount to be computed in accordance with Section 148(f) and 6431(c) of the Code and shall reduce the rebate amount by taking into consideration the spending and other exceptions to the rebate requirement provided under Section 148(f) of the Code for which any of the gross proceeds of the Municipal Bond may qualify. The Municipality shall furnish the Bank with any and all such rebate calculations on or before the termination of the fifth bond year and each succeeding fifth bond year, the maturity date, and, if earlier, any redemption date of the Municipal Bond. The Municipality shall make any rebate payments to the Bank within 45 days of such calculation date.

(c) In the event the proceeds of the Municipal Bond are no longer expected to be expended for the purpose(s) for which they were issued, the Municipality shall endeavor to spend such proceeds within three years of the original issue date of the Municipal Bond or any prior obligation refunded by the Municipal Bond for lawful purposes which may be financed by tax-exempt bonds. Such substitute expenditure shall be reported promptly to the Bank and shall be accompanied by an opinion of bond counsel (as defined in the Bank's General Bond Resolution) certifying to the legality of such substitute expenditure and the continuing exclusion of interest paid and to be paid on the Municipal Bond for federal income tax purposes.

(d) The Municipality shall comply with and perform its undertakings set forth in its Tax Certificate executed coincident with the delivery of the Municipal Bond to the Bank, including Schedule D thereof (Municipal Bond Post-Issuance Compliance Procedures). The Municipality shall retain all records of expenditures for a period of not less than 3 years after the payment of the Bank Bond and furnish the Bank with any and all documents necessary upon its request in order to show the compliance of the Municipal Bond with the provisions of the Code and applicable regulations.

16. The Municipality agrees to provide to the Bank upon request such certifications and information as the Bank may reasonably request in order for the Bank to verify at any time the representations, expectations, procedures and covenants set forth in:

(a) The Municipality's Tax Certificate to be executed coincident with the delivery of the Municipal Bond to the Bank; and

(b) The Bank's Tax Certificate executed coincident with the delivery of the Bank Bonds to the purchaser(s) thereof.

17. Within thirty (30) days following a request by the Bank, or such shorter period as prescribed under Securities Exchange Commission Rule 15c2-12, the Municipality agrees to furnish the Bank with its most recent financial statements, explanatory notes and other financial and operating information as the Bank may request. In addition, the Municipality agrees to notify the Bank within ten (10) days of the occurrence of any notice event which has or may have an effect upon its financial condition or its ability to perform fully and timely any covenant, obligation or undertaking set forth in this Loan Agreement or the Municipal Bond. As used in this paragraph, a notice event is any one of the following:

(a) Actual or anticipated delinquency or default of payment of principal of or interest on the Municipal Bond or any other debt obligation of the Municipality;

(b) Any actual or anticipated default or breach on the part of the Municipality with respect to any term or provision of this Loan Agreement or like agreement to which the Municipality is a party;

(c) Unscheduled draws on debt service reserves which reflect financial difficulties for the Municipality;

(d) Unscheduled draws on any letter of credit, guarantee or similar credit enhancement which reflects financial difficulties for the Municipality;

(e) Substitution of any entity furnishing the Municipality with credit or liquidity enhancement, or the failure of such entity to perform;

(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Municipal Bond, or other material events affecting the tax status of the Municipal Bond;

(g) Material modifications of the rights of any person owning a legal or beneficial interest in the Municipal Bond;

(h) The actual or contemplated call, redemption, refunding or defeasance of the Municipal Bond, or the sale, release or substitution of the improvements financed by the Municipal Bond;

(i) Any change in the credit rating of the Municipality;

- (j) Tender offers with respect to the Municipal Bond;
- (k) Bankruptcy, insolvency, receivership or similar event of the Municipality;
- (l) The merger, consolidation or acquisition of the Municipality;
- (m) The sale or transfer of all or substantially all of the assets of the Municipality, whether absolute or pursuant to a management or operating agreement, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (n) The sale or disposition of assets financed by the Municipal Bond, or a change of use thereof constituting “deliberate action” as defined in the Code; or
- (o) A change in the identity or name of the Municipal Bond trustee, or the appointment of a successor or additional trustee, if material.

For the purposes of the event identified in subparagraph (k), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Municipality in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Municipality, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Municipality.

18. The Municipality acknowledges that information it has furnished the Bank and others will be relied upon in the public offering of Bank Bonds for sale. The Municipality represents that all information it has provided in connection with the Loan, the Municipal Bond, this Loan Agreement and all certifications, statements, representations and records identified or referred to therein are true, accurate and complete to the best of the knowledge of the Municipality and its officers. The Municipality further represents that it has disclosed to the Bank and others all information material to the Loan, and the public offering of Bank Bonds, and has not failed to disclose any information it deems material for such purpose.

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

Attest:

VERMONT MUNICIPAL BOND BANK

\_\_\_\_\_  
Vermont Municipal Bond Bank  
Executive Director

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

(SEAL)

Attest:

TOWN OF HINESBURG

\_\_\_\_\_  
Town of Hinesburg Clerk

By: \_\_\_\_\_  
Chair  
Selectboard

(SEAL)

EXHIBIT A  
MATURITY SCHEDULE  
TOWN OF HINESBURG

Municipality's  
Bonds Due  
November 15

Principal Amount

2013	-0-
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024	
2025	
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2042	
2043	

Total:

\$1,055,200