



AGENDA
for the Board of Trustees
of the Town of Palisade, Colorado SPECIAL MEETING
341 W 7th Street (Palisade Civic Center BOARD ROOM)

July 1, 2025

6:00 pm – 6:20 pm WORK SESSION

6:30 pm Special Meeting

A live stream of the meeting may be viewed at:

<https://us06web.zoom.us/j/3320075780>

- I. **WORK SESSION TO BEGIN AT 6:00 pm**
 - A. Uintah Railroad Supreme Court Decision and Executive Order
- II. **SPECIAL MEETING CALLED TO ORDER AT 6:30 pm**
- III. **PLEDGE OF ALLEGIANCE**
- IV. **ROLL CALL**
- V. **AGENDA ADOPTION**
- VI. **EXECUTIVE SESSION**

An executive session pursuant to §24-6-402(4)(a), §24-6-402(4)(b), and §24-6-402(4)(e), C.R.S., for a conference with the Town Attorney to receive legal advice on specific legal questions concerning eminent domain proceedings, the purchase and acquisition of a real property interest, and determining positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators relating to the Clifton to Palisade Sewer Transfer Project.

Motion, Second, and Rollcall Vote to: go into executive session pursuant to §24-6-402(4)(a), §24-6-402(4)(b), and §24-6-402(4)(e), C.R.S., for a conference with the Town Attorney to receive legal advice on specific legal questions concerning eminent domain proceedings, the purchase and acquisition of a real property interest, and determining positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators relating to the Clifton to Palisade Sewer Transfer Project.

VII. NEW BUSINESS**A. RESOLUTION 2025-17**

The Palisade Board of Trustees will consider the First Amendment to the Intergovernmental Agreement between the Town of Palisade and the Clifton Sanitation District regarding Wastewater Treatment for the Town of Palisade.

1. Staff Presentation
2. Board Discussion
3. Decision – Motion, Second, and Rollcall Vote to: Approve or deny RESOLUTION 2025-17 approving the First Amendment to the Intergovernmental Agreement between the Town of Palisade and the Clifton Sanitation District regarding Wastewater Treatment for the Town of Palisade.

B. RESOLUTION 2025-18

The Palisade Board of Trustees will consider a Construction Operation, Maintenance, and Easement Agreement with the Grand Valley Irrigation Company.

1. Staff Presentation
2. Board Discussion
3. Decision – Motion, Second, and Rollcall Vote to: Approve or deny RESOLUTION 2025-18 approving a Construction Operation, Maintenance and Easement Agreement with the Grand Valley Irrigation Company.

C. RESOLUTION 2025-19

The Palisade Board of Trustees will consider authorizing the Exercise of Eminent Domain Powers to Acquire Property Interests Necessary to facilitate the Construction of the Palisade to Clifton Sewer Transfer Project.

1. Staff Presentation
2. Board Discussion
3. Decision – Motion, Second, and Rollcall Vote to: Approve or deny RESOLUTION 2025-19 authorizing the exercise of eminent domain to acquire the property interests necessary to facilitate the construction of the Palisade to Clifton Sewer Transfer Project.

D. ORDINANCE 2025-07

The Palisade Board of Trustees will consider authorizing the execution and delivery of a construction loan note and construction loan agreement for the Construction of the Palisade to Clifton Sewer Transfer Project.

1. Staff Presentation
2. Board Discussion
3. Decision – Motion, Second, and Rollcall Vote to: Approve or deny ORDINANCE 2025-07 authorizing the execution and delivery of a construction loan note and construction loan agreement for the Construction of the Palisade to Clifton Sewer Transfer Project.

E. RESOLUTION 2025-20

The Palisade Board of Trustees will consider authorizing and providing for the incurrence of indebtedness in order to obtain assistance from the United States Department of Agriculture for the purpose of providing a portion of the cost of the Clifton Sewer Transfer Project.

1. Staff Presentation
2. Board Discussion
3. Decision – Motion, Second, and Rollcall Vote to: Approve or deny RESOLUTION 2025-20 authorizing and providing for the incurrence of indebtedness in order to obtain assistance from the United States Department of Agriculture for the purpose of providing a portion of the cost of the Clifton Sewer Transfer Project.

VIII. ADJOURNMENT

**TOWN OF PALISADE, COLORADO
RESOLUTION NO. 2025-17**

**A RESOLUTION OF THE BOARD OF TRUSTEES FOR THE TOWN OF
PALISADE, COLORADO AUTHORIZING THE AMENDMENT TO THE
INTERGOVERNMENTAL AGREEMENT BETWEEN THE TOWN OF
PALISADE AND CLIFTON SANITATION DISTRICT REGARDING
WASTEWATER TREATMENT FOR THE TOWN OF PALISADE.**

WHEREAS, the Town of Palisade (“Palisade” or the “Town”) is a Colorado municipality organized pursuant to Title 31 of the Colorado Revised Statutes and with the authority set forth therein; and

WHEREAS, Clifton Sanitation District (“CSD”) is a quasi-municipal corporation and political subdivision of the State of Colorado; and

WHEREAS, CSD is a special district organized and operating under Title 32 of the Colorado Revised Statutes for the purpose of providing sewer services inside and outside its service area; and

WHEREAS, Palisade requested that CSD provide sewer services to Palisade by accepting delivery of the Wastewater produced within the Palisade Service Area, subject to the terms of the Intergovernmental Agreement (“IGA”) between the Town and CSD dated May 5, 2021; and

WHEREAS by a letter dated October 11, 2022, CSD extended certain deadlines set forth in the IGA; and

WHEREAS, the Town requires fee simple parcels, temporary easements, and permanent easements for the installation of the wastewater service pipelines; and

WHEREAS, Palisade received a Letter of Conditions from the United States Department of Agriculture Rural Utilities Service (“RUS”) dated February 2, 2023, that was extended by subsequent letter dated November 1, 2024, which contained certain regulatory requirements; and

WHEREAS, Palisade and CSD wish to amend the IGA as set forth in the First Amendment to Intergovernmental Agreement between the Town of Palisade and Clifton Sanitation District Regarding Wastewater Treatment for the Town of Palisade, attached as **Exhibit A**; and

WHEREAS, the Board of Trustees of Palisade, Colorado finds authorizes the Town Administrator to enter into the amended IGA.

**NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF TRUSTEES
FOR THE TOWN OF PALISADE, COLORADO THAT:**

Section 1. The foregoing recitals are incorporated herein as if set forth in full.

Section 2. The Board of Trustees makes the following findings: The Town Administrator is authorized to enter into the First Amendment to Intergovernmental Agreement

between the Town of Palisade and Clifton Sanitation District Regarding Wastewater Treatment for the Town of Palisade.

RESOLVED, APPROVED, and ADOPTED this 1st day of July 2025.

TOWN OF PALISADE, COLORADO

Greg Mikolai, Mayor

ATTEST:

Keli Frasier, Town Clerk

**FIRST AMENDMENT TO
INTERGOVERNMENTAL AGREEMENT BETWEEN THE TOWN OF PALISADE
AND CLIFTON SANITATION DISTRICT REGARDING WASTEWATER
TREATMENT FOR THE TOWN OF PALISADE**

This First Amendment to Intergovernmental Agreement for Sewer Service (the “First Amendment” or “Agreement”) is entered into as of the _____ day of _____, 2025 (“Effective Date”) by and between the **CLIFTON SANITATION DISTRICT**, a quasi-municipal corporation and a political subdivision of the State of Colorado (“CSD”) and the **TOWN OF PALISADE, COLORADO** a municipal corporation (“PALISADE”), collectively referred to as the “Parties.”

RECITALS

WHEREAS, CSD is a special district organized and operating under Title 32 of the Colorado Revised Statutes for the purpose of providing sewer services inside and outside its service area; and

WHEREAS, PALISADE is a municipal corporation organized and operating under Title 31 of the Colorado Revised Statutes; and

WHEREAS, PALISADE has requested that CSD provide sewer services to PALISADE by accepting delivery of the Wastewater produced within the PALISADE Service Area, subject to the terms hereof; and

WHEREAS, CSD is authorized to establish fees, rates, tolls and charges for services and facilities associated with the sewer services it provides; and

WHEREAS, the parties entered into an Intergovernmental Agreement for Sewer Service (“IGA”) on May 5, 2021, which established the parameters under which the Town will purchase and the CSD will provide Wastewater treatment services; and

WHEREAS, by letters dated October 11, 2022 and September 3, 2024 CSD extended certain deadlines set forth in the IGA, and hereby extends all timeframes and milestone completion dates under paragraph 4.5 (C) until December 31, 2027; and

WHEREAS, PALISADE received a Letter of Conditions from the United States Department of Agriculture Rural Utilities Service (“RUS”) dated February 2, 2023 that was extended by subsequent letter dated November 1, 2024 which contained certain regulatory requirements as reflected herein; and

WHEREAS, the Parties wish to amend the IGA as set forth herein.

NOW THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein, and the mutual promises and covenants contained herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Recitals. The foregoing recitals are incorporated herein by reference.
2. Amendment – Section 1.7. Section 1.7 of the IGA is hereby amended with deletions using ~~striketrough~~ text as follows:

"CSD Wastewater Collection System" means the sanitary sewer and other sanitation facilities owned or to be constructed, installed, and otherwise acquired for ownership by CSD and necessary for the performance by CSD of its obligations under this IGA. The CSD Wastewater Collection System expressly shall include the Transfer System Improvements, after the design and construction of the same are accepted by CSD ~~and transfer of ownership is completed~~ as contemplated by this IGA.

3. Amendment – Section 2.3. Section 2.3 of the IGA is hereby amended with the addition of subpart C as follows:

C. CSD shall, at all times, operate and maintain its system in an efficient manner and shall take such action as may be necessary to furnish PALISADE with Wastewater collection and treatment services in accordance with this Section. In the event of an extended reduction in wastewater treatment capacity, or the capacity of wastewater treatment available to CSD is otherwise diminished over an extended period of time, CSD shall reduce or diminish the availability of wastewater treatment to PALISADE's consumers in the same ratio or proportion as the supply to CSD's consumers.

4. Amendment – Section 4.4. Section 4.4 of the IGA is hereby amended with additions using double underlined text and deletions using ~~striketrough~~ language as follows:

4.4 Acquisition of Easements, Property and Ownership. As a part of the construction requirements for the Palisade Discharge Line and Transfer System Improvements PALISADE shall pay for all costs incurred to acquire all easements and rights-of-way or the outright ownership of any land necessary for the construction. The easements, rights-of-way or ownership of land associated with the Transfer System Improvements (not including those associated with the Palisade Discharge Line) ~~shall~~ may be taken in the name of Palisade or CSD ~~or and shall be~~ conveyed to CSD as part of ~~the~~ a transfer of ownership of the Transfer System Improvements to CSD ~~as required pursuant to Section 4.7~~ below.

5. Amendment – Section 4.7. Section 4.7 of the IGA is hereby deleted and replaced as follows:

4.7 Option for Future Transfer of Ownership of the Transfer System Improvements.

In consideration of Ten Dollars USD (\$10.00) PALISADE hereby grants to CSD an option for transfer and conveyance by PALISADE to CSD for ownership of the Transfer System Improvements and related responsibilities and rights for ongoing maintenance, repair, replacement, inspection, and operations (the "Option"). The Option shall be exercisable upon the completion of construction, issuance of the Notice of Acceptance by CSD, and upon release of PALISADE's indebtedness to RUS. PALISADE shall provide CSD written notice of its release of its indebtedness to RUS and CSD shall have sixty (60) days to exercise the Option upon receipt of such notice. Until CSD exercises the Option, PALISADE shall have responsibility for all costs associated with the maintenance, repair, replacement, inspection, upgrades, and ownership of the Transfer System Improvements, provided that CSD shall have the responsibility and authority for operations of the Transfer System Improvements and related activities including completion of maintenance, repair, replacement, inspection and any upgrades. PALISADE shall have ownership and all responsibility for maintenance and operation of the Palisade Discharge Line, except as expressly set forth in this Agreement.

6. Amendment – Section 4.8. Section 4.8 of the IGA is hereby amended with additions using double underlined text and deletions using ~~striketrough~~ language as follows:

4.8 Warranty Period. Notwithstanding ~~the transfer of ownership or any other~~ provisions of this IGA to the contrary, for a period of two (2) years following CSD's Notice of Acceptance (referred to as the "Warranty Period"), PALISADE shall warrant the construction of the Transfer System Improvements against defective materials and workmanship. PALISADE is responsible for all repair and correction of any defects in the Transfer System Improvements during the Warranty Period. CSD may elect at its option to undertake the work necessary to address, repair or correct defects, and PALISADE shall be responsible to reimburse CSD for all costs incurred by CSD. During the Warranty Period, PALISADE shall indemnify CSD for and from any claims for damages CSD may suffer as a result of defects of materials or workmanship or failure of PALISADE to maintain and repair the Transfer System Improvements, including the costs and reasonable attorneys' fees incurred to defend such claims. PALISADE shall require that any contractor, including PALISADE if acting as its own contractor, who performs any work or construction related to the installation of the Transfer System Improvements, provides a maintenance bond in the amount of one hundred percent (100%) of the amount of related construction and installation costs, effective throughout the Warranty Period for CSD's protection.

7. Amendment- Section 5.4. Section 5.4 of the IGA is hereby amended

5.4 Termination of Recapture Fee. The Obligation for payment to PALISADE of the Recapture Fee shall terminate when one million dollars (\$1,000,000.00) in Recapture Fees have been paid to PALISADE or twenty (20) years from the date CSD issues the Notice of Acceptance ~~of acceptance of the Transfer System Improvements by CSD,~~ whichever occurs first.

8. Amendment – Section 6.2 Section 6.2 of the IGA is hereby amended with additions in double underlined text as follows:

6.2 Sewer Service Charge.

A. CSD will meter the PALISADE effluent discharge through a master meter at the Transfer Lift Station and will assess a reasonable monthly treatment service charge in accordance with C.R.S. § 32-4-522 and based on the actual meter reading of effluent discharged at the Transfer Lift Station into the CSD Wastewater Collection System (referred to herein as "Sewer Service Charge"). An initial base rate, to be equal to the CSD then current in-district base rate for Wastewater treatment (which is \$5.13 per thousand gallons as of 2020) plus (i) until the Option is exercised an additional amount based on additional conveyance costs and ongoing operation and maintenance of the Transfer System Improvements, and (ii) after the Option is exercised, an additional amount based on additional conveyance costs and ongoing operation and maintenance of the Transfer Lift Station, will be assessed. The initial base rate shall be adjusted in accordance with a rate study to be conducted by CSD within three (3) years after the date of CSD Notice of Acceptance of the Transfer System Improvements. CSD may raise or lower the Sewer Service Charge in proportion with any rate change applicable to CSD's regular customers.

9. Amendment – Section 8.1 Section 8.1 of the IGA is hereby amended as follows:

9.1 Maintenance and Testing of the PALISADE Sewer System, and Palisade Discharge Line, and Transfer System Improvements.

- (a) At its sole expense, PALISADE shall be responsible for the maintenance, repair, upgrades to, and replacement of the PALISADE Sewer System and PALISADE Discharge Line to meet the maintenance standards of the CSD Rules and Regulations, including but not limited to the timely cleaning of all lines and prevention of inflow and infiltration ("I&I"). PALISADE shall at a minimum conduct pipeline flushing, video inspection, visual inspection of manholes and testing on the

PALISADE Sewer System and Palisade Discharge Line in accordance with CSD Rules and Regulations. All inspection and test results shall be provided to CSD which may elect to verify the results.

- (b) Upon Notice of Acceptance by CSD, CSD shall be responsible for the maintenance, repair, upgrades to, and replacement of the Transfer System Improvements to meet the maintenance standards of the CSD Rules and Regulations, including but not limited to the timely cleaning of all lines and prevention of inflow and infiltration (“I&I”); as set forth in paragraph 4.7, Palisade shall be responsible for related costs. CSD shall at a minimum conduct pipeline flushing, video inspection, visual inspection of manholes and testing on the Transfer System Improvements in accordance with CSD Rules and Regulations. CSD and Palisade agree to appropriate sufficient funds on an annual basis to ensure that the foregoing responsibilities are performed.

10. Amendment – Section 10.2. Section 10.2 of the IGA is hereby repealed and replaced as follows:

10.2 Termination.

CSD may terminate this IGA upon any default by PALISADE under the terms of this IGA if not timely cured. Events of default by PALISADE shall include but not be limited to:

- (a) Failure by PALISADE to pay costs, fees or charges due under this IGA or to dispute payment in accordance with Section 7.2;
- (b) Failure by PALISADE to meet any material timeframe required by this Agreement;
- (c) Failure by PALISADE to issue a Notice of Violation or enforce any violation by a User of the Rules and Regulations of PALISADE, CSD or applicable law or regulation including regulations of the EPA, in accordance with Sections 9.4, 9.5, and 9.6 of this IGA; and
- (d) Failure by PALISADE to comply with requirements of the Pretreatment Intergovernmental Agreement, attached as Exhibit E.

PALISADE may terminate this IGA upon any default by CSD under the terms of this IGA if not timely cured. Events of default by CSD shall include but not be limited to:

- (a) Failure by CSD to execute the wastewater collection and treatment services as specified in this IGA for a period exceeding thirty (30)

consecutive days, unless such failure is due to Force Majeure events;
and

- (b) Breach by CSD of any material term or condition of this IGA and failure to timely cure such breach upon written notice by PALISADE.

After any termination, settlement under this IGA may occur if PALISADE owes any outstanding amounts to CSD, including but not limited to amounts owed if Reserve Capacity is exceeded pursuant to Section 2.3 of this IGA.

11. Amendment – Article XI. A new Section 11.3 of the IGA is hereby added as follows:

11.3 Insurance. Throughout the term of the Agreement, CSD shall cause to be maintained property, general liability, and bodily injury insurance covering the Transfer System Improvements and all of the services, operations, and activities of CSD, and agents within PALISADE's property. The initial amount of coverage shall be, at least \$1,000,000 per occurrence. PALISADE shall be named as an additional insured under any insurance policy issued to CSD at CSD's sole cost, if any. In the event of damage or destruction to the Transfer System Improvement, the proceeds of such insurance shall be applied to the repairs and/or replacement, and any excess shall be payable to CSD. CSD shall cause its insurance carrier to provide a certificate of insurance directly to PALISADE of the kinds and amounts of said insurance coverage and shall acquire policies that shall not be subject to cancellation without at least thirty (30) days advance written notice to PALISADE. Such policies shall provide that they may not be materially changed or altered by the insurer during its term without first giving at least ten (10) days written notice to the PALISADE.

Throughout the term of the Agreement, Palisade shall cause to be maintained property, general liability, and bodily injury insurance covering the Transfer System Improvements and all of the services, operations, and activities of PALISADE up stream of the Transfer System Improvement, including without limitation, the Palisade Sewer System and PALISADE Discharge Line, and agents within PALISADE's property. The initial amount of coverage shall be, at least \$1,000,000 per occurrence. CSD shall be named as an additional insured under any insurance policy issued to PALISADE at PALISADE's sole cost, if any. In the event of damage or destruction to the Transfer System Improvement, the proceeds of such insurance shall be applied to the repairs and/or replacement, and any excess shall be payable CSD. PALISADE shall cause its insurance carrier to provide a certificate of insurance directly to CSD of the kinds and amounts of said insurance coverage and shall acquire policies that shall not be subject to cancellation without at least thirty (30) days advance written notice to CSD. Such policies shall provide that they may not be materially changed or altered by the insurer during its term without first giving at least ten (10) days written notice to the CSD.

12. Amendment – Article XII. Sections 12.1 through 12.10 of the IGA shall be renumbered as Sections 12.3 through 12.12.

13. Amendment – Section 12.1. Section 12.1 of the IGA is hereby amended to read as follows:

12.1 Term. The Term of this Agreement shall be from the Effective Date of this IGA until termination pursuant to Section 10.2 or by written agreement of the Parties; provided that a termination pursuant to the Parties' written agreement shall not be effective until the close of the loan repayment period for a loan or grant issued by the United States Department of Agriculture to PALISADE pursuant to 7 CFR 1780.62.

14. Amendment – Section 12.2. Section 12.2 of the IGA is hereby amended to read as follows:

12.2 Condition of Approval. Construction of the Palisade Discharge Line and Transfer System Improvements is being financed by a loan made or insured by, and/or a grant from, the United States of America, acting through RUS, and the provisions hereof pertaining to the undertakings of PALISADE in such construction are conditioned upon the approval, in writing, of the State Director of Rural Development. In accordance with the foregoing, PALISADE may assign this Agreement as collateral security to RUS.

15. Amendment – Section 12.13. A new Section 12.13 of the IGA is hereby added as follows:

12.13 Further Assurances. The Parties agree to take all reasonable actions necessary for the proper operation of the Transfer System Improvements so that CSD may continue the wastewater collection and treatment services as provided for in this IGA. Such further assurances include, without limitation, working collaboratively to address future capital improvement needs of the Transfer System Improvements if any arise during the Term of this Agreement or prior to the completion of CSD's exercise of the Option.

16. Amendment – Section 12.14. A new Section 12.14 of the IGA is hereby added as follows:

12.14 Agreement for Continued Discharge. If this IGA terminates, the Parties shall negotiate in good faith and execute a new agreement for the continued discharge of PALISADE'S Wastewater to the CSD Wastewater Collection System and for CSD's treatment of such Wastewater. The financial obligations of PALISADE for the discharge and treatment of Wastewater as provided in this IGA, including Sections 2.3(B), 4.7, 6.1(B), 6.2, 6.3, and Article VII, shall survive termination of this IGA and

continue in full force and effect until either execution of a new agreement by the Parties or PALISADE ceases discharging Wastewater to the CSD Wastewater Collection System.

IN WITNESS WHEREOF, the Parties have executed this IGA on the date first above written. By the signature of its representative below, each party affirms that it has taken all necessary action to authorize said representative to execute this IGA.

CLIFTON SANITATION DISTRICT

By: _____

Name: _____

Title: _____

Date: _____

Secretary

TOWN OF PALISADE

Name: Greg Mikolai

Title: Mayor

ATTEST:

Town Clerk

**TOWN OF PALISADE, COLORADO
RESOLUTION NO. 2025-18**

A RESOLUTION OF THE BOARD OF TRUSTEES FOR THE TOWN OF PALISADE, COLORADO, AUTHORIZING THE TOWN ADMINISTRATOR TO ENTER INTO A CONSTRUCTION, OPERATION, MAINTENANCE, AND EASEMENT AGREEMENT WITH GRAND VALLEY IRRIGATION COMPANY.

WHEREAS, the Town of Palisade (“Palisade” or the “Town”) is a Colorado municipality organized pursuant to Title 31 of the Colorado Revised Statutes and with the authority set forth therein; and

WHEREAS, the Grand Valley Irrigation Company (“GVIC”) is a Colorado nonprofit Corporation; and

WHEREAS, GVIC owns two fee parcels and operates a canal with a prescriptive easement located in Mesa County; and

WHEREAS, Palisade desires to enter into a Construction, Operation, Maintenance, and Easement Agreement with GVIC; and

WHEREAS, GVIC desires to enter into the Construction, Operation, Maintenance, and Easement Agreement (“Agreement”) in accordance with the conditions set forth in the agreement attached as **Exhibit A**.

WHEREAS, the Board of Trustees of Palisade, Colorado finds authorizes the Town Administrator to enter into the Agreement with GVIC.

NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF TRUSTEES FOR THE TOWN OF PALISADE, COLORADO THAT:

Section 1. The foregoing recitals are incorporated herein as if set forth in full.

Section 2. The Board of Trustees makes the following findings: The Town Administrator is authorized to enter into the Construction, Operation, Maintenance, and Easement Agreement with GVIC.

RESOLVED, APPROVED, and ADOPTED this 1st day of July 2025.

TOWN OF PALISADE, COLORADO

Greg Mikolai, Mayor

ATTEST:

Keli Frasier, CMC
Town Clerk

CONSTRUCTION, OPERATION, MAINTENANCE AND EASEMENT AGREEMENT

THIS CONSTRUCTION, OPERATION, MAINTENANCE AND EASEMENT AGREEMENT (Agreement) is made and effective this _____ day of _____, 2025, between the **GRAND VALLEY IRRIGATION COMPANY**, a Colorado nonprofit corporation (GVIC), whose address is 688 26 Road, Grand Junction, Colorado 81506, the **TOWN OF PALISADE (TOWN)**, a statutory town, whose address is 175 East 3rd Street, Palisade, CO 81526,. Collectively GVIC and the Town shall be referred to as the “Parties” and separately referred to as a “Party.”

RECITALS:

- A. GVIC is the owner and operator of a system of irrigation canals and related facilities (Canal Facilities) located in Mesa County, Colorado to deliver irrigation water to its shareholders. The Canal Facilities include the Grand Valley Mainline Canal (Mainline Canal) and its beds, banks, embankments, erosion control, access roads, head gates, flumes, pipes, bridges and all other equipment, devices structures, improvements, and facilities appurtenant thereto or used in connection therewith.
- B. The Mainline Canal commences at the diversion structure on the Colorado River and continues in a westerly direction over lands GVIC owns in fee simple and lands burdened by GVIC’s implied easements acquired under Colorado law (GVIC Easements).
- C. The TOWN proposes to design and construct an underground sewer pipeline over, under, and across the GVIC fee simple land and the GVIC Easements to transport the Town’s sewer effluent from the TOWN to Clifton Sanitation District’s (CSD) treatment facilities (Project). The TOWN proposes to operate, maintain and repair the Project as provided herein.

NOW THEREFORE, in consideration of the terms and conditions set forth herein, the Parties agree as follows:

- 1. Plans and Specifications. The TOWN engaged J-U-B- Engineers, Inc. (JUB) to prepare plans and specifications comprising the Project identified as the Sewer Transfer Project Town of Palisade Project No. 81-23-029 dated and stamped _____ (Plans and Specifications). The Plans and Specifications are incorporated herein by this reference. The TOWN represents, warrants, and agrees as follows:
 - a. The Plans and Specifications were prepared and reviewed by JUB, a licensed professional engineer, engaged to perform professional engineering services for the TOWN. To the best of the TOWN’S information and belief, the Plans and Specifications were prepared by engineers qualified in the design of the Project, are free from material errors, defects, or omissions, are suitable for the construction and installation of the Project and that once installed, the Project will not interfere with or hinder the operation, maintenance, and repair of the Mainline Canal and its related Canal Facilities.
 - b. The review and/or approval of the Plans and Specifications by GVIC and any consultant engaged by GVIC for such purpose, is solely and only for the use and benefit of GVIC and is not intended and may not be construed as GVIC’s or its

consultant's warranty, certification, or representation that the Plans and Specifications are accurate, free from material errors or defects or are suitable for construction of the Project. The TOWN waives any claim or defense against GVIC, or its consultant's based on, related to or derived from GVIC's and its consultant's review or approval of the Plans and Specifications.

- c. The TOWN assumes all risks and liability as against GVIC related to the accuracy and suitability of the Plans and Specifications.

2. Grant of Easements.

- a. GVIC grants to the TOWN perpetual easements over, across and under the Mainline Canal fee simple land and the GVIC Easements as specifically described on the Plans and Specifications (Easements) for the sole and only purpose to enter upon the Easements to construct and perpetually operate, maintain, and repair the Project and all other purposes imposed on the TOWN under this Agreement.
- b. GVIC acknowledges the payment of \$75,000 in cash or certified funds as just compensation for the grant of the Easements. In consideration of the grant of the Easements, the TOWN waives and releases the TOWN'S Notice of Intent to Acquire Easements for the Project dated March 4, 2025 by the exercise of eminent domain. By accepting the payment of just compensation, the Parties recognize and acknowledge that GVIC does not waive any statutory rights or powers pursuant to the eminent domain statute, C.R.S. § 38-1-101 *et seq.*
- c. The Easements are granted without GVIC's representation or warranty of any type, whether express or implied, as to (i) GVIC's legal interest in the Easements and (ii) the physical condition of the surface or subsurface of the Easements. The TOWN assumes all risks regarding the physical condition of the surface and subsurface of the Easements.
- d. The TOWN shall not grant, convey, transfer, assign, or dedicate any right, title or interest in or to the Easements to any third-party, including public and quasi-public entities and the general public without GVIC's express written consent with the exception that the TOWN's employees, contractors, subcontractors, materialman, and suppliers performing or conducting the construction of the Project or the perpetual operation, maintenance, or repair of the Project are authorized to enter upon the Easements for such specific purposes.
- e. At all times, the Easements shall be subordinate to GVIC's operation, maintenance, and repair of the Mainline Canal and its related Canal Facilities. Notwithstanding the foregoing, at no time shall GVIC be entitled to take any action that interferes with the operations and functions of the Project. In the event that GVIC's operation, maintenance, and repair of the Mainline Canal may interfere with the operations and functions of the Project, GVIC and the TOWN shall make best efforts to coordinate work in such a manner as to prevent disruption to the TOWN's wastewater utility services and to the Project.

- 3. Utility Easements. TOWN shall not construct or install any structure, device or improvement except for the structures and improvements comprising the Project in the Plans and Specifications or structures and improvements reasonable or necessary for the safe and efficient operation of the Project for its intended purpose. The Town shall not grant any permit, permission, license, or concession to any utility provider or any other third-party to construct or install any utility or other structure or improvement unrelated to the operations and functions of

the Project in, under, or upon the Easements. Notwithstanding the foregoing, the TOWN may, but is not required to, consent to any of the foregoing grants within the Easement granted by the underlying fee property owners.

4. Construction of the Project.

- a. Work. The TOWN shall perform, contract, engage, obtain, or otherwise provide for, all labor, materials, equipment, supplies, and permits, including permission of any landowners affected by the Project, that are reasonable or necessary for the commencement and completion of the Project that is proximate to the Mainline Canal, collectively referred to as the “Work.”
- b. Construction Schedule. Prior to the commencement of any Work, and as needed throughout the progress of the Work, the TOWN shall provide GVIC with a construction schedule, including the anticipated times, dates or points of excavation and inspection of the Work by any governmental entity having jurisdiction over the Work, or JUB, or GVIC.
- c. Commencement, Completion and Construction. Work shall commence no earlier than after the Mainline Canal and the related Canal Facilities are fully drained of water at the end of the 2025 irrigation season. The Work shall be conducted solely during the non-irrigation season so as to not interfere with the delivery of irrigation water through the Mainline Canal and its Canal Facilities. The Work must be suspended no later than March 15 of each year construction progresses. The timing, sequence and staging of the Work shall be coordinated with GVIC. The TOWN shall ensure that all Work does not interfere with GVIC’s use, operation and maintenance of the Mainline Canal and its related Canal Facilities at any time of the year.
- d. Conditions of Construction.
 - i. GVIC acknowledges that the TOWN may remove existing structures, fences, or other improvements, including trees or vegetation situated within the GVIC Easements as part of the construction of the Project. The TOWN shall notify all property owners adjacent to the Mainline Canal and its related Facilities burdened by the GVIC Easements with whom the TOWN has an agreement to replace or restore existing structures, fences, and other improvements that any structures, fences, and other improvements within the GVIC Easements may be removed by GVIC.
 - ii. The TOWN shall not place or dispose of water or other material from the excavation of the sewer line into the Mainline Canal unless such water or material has been filtered as set forth in the Plans and Specifications prior to its placement and disposition.
 - iii. Work shall (A) be constructed strictly in conformance with the Plans and Specifications, (B) be pursued with diligence and in a good and workmanlike manner, and (C) comply with all laws, ordinances, rules, regulations, and orders of any applicable governmental authority bearing on the performance of the Work, including any applicable building or construction codes. Any Work not conforming thereto shall be corrected by the TOWN immediately at its sole expense.

- iv. The TOWN shall pay all costs, expenses, fees, or other disbursements which are reasonable or necessary for the performance of the Work in a timely manner.
 - v. The TOWN shall be responsible for all construction means, methods, techniques and sequences and procedures, subject to the TOWN's obligation to coordinate with GVIC, and to complete all Work in accordance with this Agreement and the Plans and Specifications. The TOWN shall further be solely responsible for obtaining or contracting for all labor, materials, equipment, tools, machinery, utilities, transportation, and other services or items necessary for the proper execution and completion of the Work and shall be solely obligated to pay any costs or expenses for the Work.
 - vi. The TOWN shall ensure that all employees or subcontractors performing the Work shall always observe and conduct themselves in a disciplined and professional manner. The TOWN shall not employ or engage any person, contractor, or subcontractor, or suffer or permit the employment of any employee of any contractor or subcontractor that is unfit or not skilled in the task assigned to him or her. The TOWN shall be responsible for initiating, maintaining, and supervising reasonable safety precautions and programs in connection with the Work to prevent bodily injury, death, or property damage to any person or property and damage to the Mainline Canal and its related Canal Facilities, the Project or any property adjoining the Mainline Canal and its related Canal Facilities.
 - vii. The TOWN shall not cause or suffer any mechanic's lien or other encumbrance to be placed upon the GVIC Easements, the Easements or the Project, or any part of the Mainline Canal and its related Canal Facilities. In the event any mechanic's lien or other encumbrance is asserted or filed on the Project or Easements or the Mainline Canal and its related Canal Facilities, then the TOWN shall immediately cause the removal thereof by payment of the lien or substituting a bond under the Colorado Mechanic's Lien Act.
 - viii. At all times during the performance of the Work, the TOWN shall keep the Project and any land immediately adjoining the Project affected by the construction of the Project free from the accumulation of waste materials or rubbish. Upon completion of the Work, the TOWN shall remove all waste material and rubbish from the Project, the GVIC Easements and the Easements, as well as all tools, construction equipment, machinery and surplus machinery and, to the extent that the TOWN disturbs any of the Mainline Canal and its related Canal Facilities or other property adjacent to the Project, to restore all the land and facilities affected by the Project including land adjacent to the Mainline Canal and its related Canal Facilities, except as prohibited by this Agreement, to the condition existing prior to the commencement of construction.
- e. Subcontractors. The TOWN shall cause each contractor and each subcontractor to maintain insurance complying with the laws of the State of Colorado for workers' compensation, unemployment compensation, and occupational diseases. Prior to the commencement of the Work, the TOWN shall provide GVIC with certificates of insurance showing such coverage in effect and also providing that such insurance will

not be canceled or modified except upon thirty (30) days' advance written notice to GVIC.

- f. As-Built Drawings. The TOWN shall provide GVIC with as-built drawings no later than 30 days after final completion of the Project.
 - g. Reimbursement of GVIC's Costs and Consulting Fees. The TOWN agrees to reimburse GVIC's reasonable out-of-pocket expenses and internal administrative costs it incurs to review Plans and Specifications and to develop this Agreement. Such costs may include, but are not limited to, fees charged to GVIC by its consulting engineer and regularly employed legal counsel according to their prevailing rates, and, in addition, the time of GVIC's management and administrative employees and staff to be reimbursed at the rate of \$_____ per hour. The TOWN shall reimburse GVIC for such costs within thirty (30) days following GVIC's submittal of an invoice for the same, attaching supporting invoices and documentation if requested. This paragraph shall supplement the existing reimbursement arrangement between GVIC and the TOWN.
5. Operation, Maintenance, and Repair of Improvements. The TOWN shall, at its sole cost and expense, operate, maintain, and repair the Project to function according to its intended purpose in such a manner that it does not interfere with GVIC's use, operation, control, repair, or maintenance of the Mainline Canal and its related Canal Facilities or the delivery of irrigation water to GVIC's shareholders, including any seasoning, testing, and correctional work related thereto. All repairs, maintenance, seasoning, and correctional work performed by the TOWN shall be coordinated with GVIC and shall be undertaken and completed as follows:
- a. Seasonal Activities. During the irrigation season (approximately April 1 to October 31), the Parties agree that it shall be an unreasonable interference for the TOWN's operation, maintenance, and repair of the Project to be conducted in manner to affect the water flowing in the Mainline Canal and its related Canal Facilities to GVIC's shareholders, or to involve the excavation or penetration of the Mainline Canal and its related Canal Facilities or to block or obstruct or close the passage of GVIC's equipment, personnel or vehicles over and across the Mainline Canal and its related Canal Facilities and maintenance roads. During the non-irrigation season (approximately November 1 through March 31), GVIC and the TOWN shall coordinate their respective operations, maintenance, or repairs to the Project and the Mainline Canal and its related Canal Facilities to avoid any conflict in the respective activities of the TOWN and GVIC. All repair or maintenance work performed on the Project by the Town in the non-irrigation season shall be completed on or before March 15 of such year.
 - b. Emergencies. An emergency situation shall mean any event that creates a danger to persons, property, and/or the environment as reasonably determined in good faith by the TOWN, any governmental entity or agency having or asserting jurisdiction thereof, or GVIC. In the event of an emergency situation involving the Project, the TOWN and/or GVIC and/or other governmental entity or agency having jurisdiction or authorization to do so, shall immediately undertake such action as is reasonable or necessary to commence repair of the Project and any property or facilities affected thereby including the Mainline Canal and its related Canal Facilities as the case may be, and to diligently pursue repair efforts so as to eliminate, minimize and reduce the actual or threat of loss or damage to persons, property, and/or the environment.
 - c. Access Roads. The Town shall maintain the access roads being constructed pursuant to the Plans and Specifications to the specifications required by the Plans and

Specifications, including grading, adding gravel and repairing the roads as necessary; provided, however, GVIC agrees to repair any damage to the access roads caused by their use above ordinary wear and tear.

6. Insurance. The TOWN acknowledges that any interference with the operation of the Mainline Canal and its related Canal Facilities is potentially catastrophic to GVIC and its shareholders causing consequential damages. Accordingly, the TOWN shall name GVIC as an additional insured against any and all loss, liability, claim, or damage, including, but not limited to, claims for bodily injury, property damage or death, arising from or caused by errors or omissions in the Plans and Specifications, the methods and manner of construction of the Project and the seasoning and testing thereof, and the maintenance or repair of the Project. Insurance with coverages customary to and determined by the TOWN shall include claims based on the acts or omissions of the TOWN and its agents, employees, and contractors, and all persons or entities engaged by the TOWN for any aspect of the Project or the Work, including the creation of the Plans and Specifications, the methods and manner of construction by any contractor, subcontractor, or other person or entity engaged for the purpose of performing the Work or repairing, maintaining or operating the Project. The TOWN'S immunity under the Governmental Immunity Act and any insurance policy coverage limits shall not limit the TOWN'S contractual obligations to provide insurance to GVIC under this Agreement and to pay compensatory damages to GVIC in the event of breach of this Agreement by the TOWN; provided, however, nothing contained herein shall limit the TOWN from asserting the defense of governmental immunity with respect to claims by third parties against the TOWN. Insurance coverage policy limits shall not be interpreted as a limitation on compensatory damages recoverable under this Agreement.
7. Default and Remedies. Time is of the essence for the performance of the TOWN's obligations pursuant to this Agreement. A default shall be deemed to have occurred on the part of the TOWN in the event the TOWN, including its agents, employees, contractors, and consultants, shall fail or refuse to perform any task, duty, or other obligation in this Agreement following five (5) calendar days' advance written notice of such failure or refusal. In the event of a default on the part of the TOWN, including its agents, employees, or contractors, GVIC may, in its sole and absolute discretion, and without limitation on any other remedies available to GVIC, undertake any one or all of the following remedies:
 - a. Seek a declaratory judgment to determine any question of fact or law applicable to this Agreement including the interpretation of this Agreement, or the performance or nonperformance of any duty or obligation arising out of or under this Agreement.
 - b. Seek legal and/or equitable remedies, including temporary restraining orders, preliminary or permanent injunctions, specific performance, and/or compensatory damages.
 - c. To commence legal action against the TOWN for all sums paid, incurred, or advanced by GVIC in the exercise of any remedy provided herein, including compensatory damages. The recovery of sums due shall include, but not limited to, the cost of any materials, labor, equipment or fees to correct or cure any default, any damages paid or incurred to third parties caused by a default and any consulting fees, costs and any other fees paid or incurred by GVIC in exercising its remedies hereunder, including GVIC's use of its own equipment and personnel, GVIC's internal administrative expenses and the fees and payments to any attorney, independent contractor, consultant or expert witness or party engaged for the purposes and objectives described above including litigation to enforce the terms hereof.

8. Miscellaneous.

- a. Benefit. The terms of this Agreement shall inure to the benefit of and be binding upon the Parties and their successors, legal representatives, and assigns.
- b. Modification. This Agreement may not be modified except in writing signed by both Parties hereto. Verbal modifications shall have no force or effect.
- c. Notice. Whenever required hereunder notice shall be deemed sufficiently given if in writing, upon mailing, United States mail, postage prepaid, certified, and return receipt requested, to the Parties addresses set forth below:

GVIC: 688 26 Road, Grand Junction, Colorado 81506
Attention: Superintendent

TOWN: 175 East 3rd Street, Palisade, CO 81526
Attention: Town Manager

- d. Integration. This Agreement is intended to be the full, complete, and integrated expression of the Parties' agreements regarding the subject matter hereof, all prior agreements, negotiations and discussions being merged herein.

DATED the year and date first above written.

GRAND VALLEY IRRIGATION COMPANY

By: _____
Sean T. Norris, President

TOWN OF PALISADE

By: Greg Mikolai, Mayor

STATE OF COLORADO)
) ss.
COUNTY OF MESA)

The foregoing instrument was acknowledged before me this ____ day of _____, 2025 by Sean T. Norris, President of Grand Valley Irrigation Company.

Witness my hand and official seal.
My commission expires: _____

Notary Public

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8

**TOWN OF PALISADE, COLORADO
RESOLUTION NO. 2025-19**

**AN UPDATED RESOLUTION OF THE BOARD OF TRUSTEES FOR THE
TOWN OF PALISADE, COLORADO AUTHORIZING THE EXERCISE
OF EMINENT DOMAIN POWERS TO ACQUIRE PROPERTY
INTERESTS NECESSARY TO FACILITATE THE CONSTRUCTION OF
THE PALISADE TO CLIFTON SEWER TRANSFER PROJECT.**

WHEREAS, the Town of Palisade (“Palisade” or the “Town”) is a Colorado municipality organized pursuant to Title 31 of the Colorado Revised Statutes and with the authority set forth therein; and

WHEREAS, by Resolution No. 23, Series 2024, the Town Board of Trustees (the “Board”) authorized Town staff to initiate negotiations for the acquisition of property as stated therein; and

WHEREAS, the Environmental Protection Agency (“EPA”) and the Colorado Department of Public Health (“CDPHE”) have set new higher wastewater quality discharge standards which the Town’s current systems do not meet; and

WHEREAS, the Town has an agreement with the Clifton Sanitation District to treat the Town’s wastewater; and

WHEREAS the Palisade to Clifton Sewer Transfer Project (“Project”) is a necessary sewer connection within the Town and part of the EPA and CDPHE standards; and

WHEREAS, the Town requires fee simple parcels, temporary easements, and permanent easements for the installation of the wastewater service pipelines; and

WHEREAS, the necessary property acquisitions are depicted in **Exhibit A**, which has been updated from Resolution No. 23 Series 2024, as may be modified to accomplish the project goals; and

WHEREAS, Section 38-1-101 *et. seq.* and 38-6-101 *et. seq.*, C.R.S. provides procedures for municipal acquisition of property interests in private property where a public need is present, and specifically to “establish, construct, extend, open wide, or alter any street, lane, avenue, boulevard, park, playground, parkway, pleasureway, public square, market viaduct, sewer, tunnel, or subway to build, acquire, construct, or establish any public building or any other public work or public improvement”; and

WHEREAS, the Town staff and negotiation consultants have determined that it may be necessary, if the Town and a property owner fail to agree upon compensation for a necessary property interest, for the Town to exercise its powers of eminent domain in order to acquire some of the remaining property interests necessary to facilitate the Project; and

WHEREAS, the Board of Trustees of Palisade, Colorado finds it is in the best interest of the health, welfare, and safety of citizens of the Town to authorize exercise of the Town's eminent domain powers in order to acquire all property interests necessary to facilitate the completion of the Palisade to Clifton Sewer Transfer Project.

NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF TRUSTEES FOR THE TOWN OF PALISADE, COLORADO THAT:

Section 1. The foregoing recitals are incorporated herein as if set forth in full.

Section 2. The Board of Trustees makes the following findings:

- i) The property interests depicted in **Exhibit A** will facilitate the construction of public improvements that are for public purposes and will provide uses and benefits to the community and its visitors, including but not limited to a higher standard of wastewater management.
- ii) The property interests depicted in **Exhibit A** are necessary to construct the Project.

Section 3. Upon a determination that parties have failed to agree on compensation for the acquisition of a necessary property interest, the Board of Trustees authorizes the Town Attorney to initiate judicial condemnation actions under the Town's authority of eminent domain pursuant to C.R.S. §38-1-101 et seq. to acquire the remaining property interests necessary for the Project as expeditiously as possible.

RESOLVED, APPROVED, and ADOPTED this 1st day of July 2025.

TOWN OF PALISADE, COLORADO

Greg Mikolai, Mayor

ATTEST:

Keli Frasier, CMC
Town Clerk

AUTHORIZING ORDINANCE
OF
THE TOWN OF PALISADE, COLORADO,
acting by and through its Utility Enterprise,

Authorizing the execution and delivery of not to exceed:

\$16,495,000
Construction Loan Note
Series 2025
(Issued in Anticipation of USDA Direct Loans)

This cover page and the following Table of Contents are not a part of the Ordinance and are included solely for the convenience of the reader.

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ORDINANCE

AN ORDINANCE OF THE BOARD OF TRUSTEES OF THE TOWN OF PALISADE, ACTING BY AND THROUGH ITS UTILITY ENTERPRISE, AUTHORIZING THE EXECUTION AND DELIVERY OF A CONSTRUCTION LOAN NOTE, SERIES 2025, AND THE EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION THEREWITH, INCLUDING A CONSTRUCTION LOAN AGREEMENT BETWEEN THE TOWN AND COBANK, ACB, AS LENDER, AND RELATED MATTERS IN CONNECTION WITH THE SALE AND DELIVERY OF THE SERIES 2025 NOTE.

WHEREAS, the Town of Palisade, Colorado (the “Town”) is a statutory town and political subdivision of the State of Colorado (the “State”), duly organized and operating under the Constitution and laws of the State, and a public entity within the meaning of the Supplemental Public Securities Act, Part 2 of Article 57, Title 11, Colorado Revised Statutes, as amended (“C.R.S.”) (the “Supplemental Public Securities Act”); and

WHEREAS, in accordance with the authority granted to the Town under Section 31-35-402, C.R.S., the Town operates and maintains sewerage facilities (the “System”) for its own use and for the use of public and private consumers and users within and without the territorial boundaries of the Town; and

WHEREAS, the Board of Trustees of the Town (the “Board”) has heretofore determined and hereby determines that the System is an enterprise (the “Enterprise”) within the meaning of Article X, Section 20 of the Colorado Constitution, as a government owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined; and

WHEREAS, the Town is acting hereunder by and through the Enterprise; and

WHEREAS, the Board previously determined it is in the best interests of the Town to finance the decommissioning of the System’s existing lagoon system and installation of a new sewer transfer line/lift station to transfer all waste to Clifton Sanitation District for treatment (collectively, the “Project”); and

WHEREAS, the Board hereby determines that the construction of the Project should be financed with the proceeds of a construction loan (the “Loan”) evidenced by a special, limited obligation construction loan note, and that for such purpose the Town, acting by and through the Enterprise, shall enter into a Construction Loan Agreement (the “Loan Agreement”) with CoBank, ACB, as lender (the “Lender”), and shall execute and deliver the Town of Palisade Construction Loan Note, Series 2025, in a principal amount not to exceed \$16,495,000 (the “Series 2025 Note”); and

WHEREAS, the proceeds of the Loan shall be applied together with the proceeds of the USDA Grant (as hereinafter defined) and other legally available Town funds to complete the Project; and

WHEREAS, the Town is delivering the Series 2025 Note in anticipation of the receipt of and payable from the proceeds of the USDA Direct Loans (as hereinafter defined) and the USDA Grant (collectively, the “USDA Permanent Financing”); and

WHEREAS, the USDA Permanent Financing shall be pursuant to and in accordance with a Letter of Conditions dated February 2, 2023 provided by USDA to the Town (the “Letter of Conditions”); and

WHEREAS, the Series 2025 Note shall have an irrevocable and first (but not necessarily exclusively first) lien on the Net Revenues, and an exclusive first lien on the proceeds of the USDA Direct Loans, all as described in the Loan Agreement; and

WHEREAS, none of the members of the Board or officers of the Town has any potential conflicting interests in connection with the authorization, execution or sale of the Series 2025 Note, or the use of the proceeds thereof; and

WHEREAS, the Board has determined and does hereby declare:

(a) it is in the best interests of the Town and its residents to finance the construction of the Project; and

(b) the proceeds of the Series 2025 Note, together with other legally available funds of the Town, shall be applied to finance the cost of the Project; and

WHEREAS, the Board desires to authorize the issuance and sale of the Series 2025 Note and the execution of documents in connection therewith.

BE IT ORDAINED BY THE BOARD OF TRUSTEES OF THE TOWN OF PALISADE, COLORADO, acting by and through its Utility Enterprise:

Section 1. Definitions. In this Ordinance, the following terms shall have the meanings specified in the foregoing recitals:

Board	Project
C.R.S.	Series 2025 Note
Enterprise	State
Lender	Supplemental Public Securities Act
Letter of Conditions	TABOR
Loan	Town
Loan Agreement	USDA Permanent Financing

Capitalized terms used herein and not otherwise defined shall have the same meanings, respectively, as provided in the Loan Agreement. In addition, as used herein, the following capitalized terms shall have the respective meanings set forth below, unless the context indicates otherwise.

“Authorized Officer” means the Town Manager or persons named an Authorized Officer under the Loan Agreement or designated as an Authorized Officer by resolutions of the Board and submitted to the Lender.

“Final Terms Certificate” means a certificate of an Authorized Officer as to the matters provided in Section 6 hereof.

“Ordinance” or *“Note Ordinance”* means this Ordinance, which authorizes the issuance of the Series 2025 Note and the execution and delivery of the Loan Agreement, including any amendments hereto.

“Paying Agent” means the Finance Director of the Town, acting as the paying agent and registrar of the Series 2025 Note.

“Payment Date” means the date or dates provided in the Final Terms Certificate.

“USDA” means the United States Department of Agriculture, acting through the United States Department of Agriculture–Rural Utilities Service.

“USDA Direct Loans” means the future loan of funds by USDA to the Town to be made in a principal amount not to exceed the amount provided the Letter of Conditions.

“USDA Grant” means the grant of funds by USDA to the Town, to be made (i) in a principal amount not to exceed \$5,650,000 or as otherwise provided in the Letter of Conditions and (ii) in accordance with the Letter of Conditions and the USDA Grant Agreement.

“USDA Grant Agreement” means the Water and Waste System Grant Agreement (USDA Form RUS 1780-12) by and between USDA and the Town, or any other agreement governing the making of the USDA Grant to the Town.

Section 2. Authorization. The Series 2025 Note is hereby sold to the Lender, pursuant to the terms and subject to the conditions provided in the Loan Agreement, and the financing of the Project is hereby authorized, approved and ordered. In accordance with the Constitution of the State and all other applicable laws of the State, there shall be issued by the Town, acting by and through the Enterprise, its Town of Palisade, Colorado Construction Loan Note, Series 2025, in the aggregate principal amount not to exceed \$16,495,000, for the purpose of financing the construction of the Project.

Section 3. Note Details. The Series 2025 Note shall be substantially in the form and subject to the terms specified in the Loan Agreement. All of the covenants, statements, representations and agreements contained in the Series 2025 Note and the Loan Agreement are hereby approved and adopted as the covenants, statements, representations and agreements of the Town, and the provisions of the Loan Agreement are hereby incorporated into this Ordinance. The Series 2025 Note shall be issued in an aggregate principal amount not to exceed \$16,495,000 and dated as provided in the Loan Agreement. The Series 2025 Note shall mature not later than December 1, 2028 and shall bear interest at the rate provided in the Loan Agreement (provided the net effective interest rate on the Series 2025 Note shall not exceed 6.50%), payable on each Payment Date through the Maturity Date, or earlier if the Series 2025 Note is prepaid in full

pursuant to the Loan Agreement and may be made subject to prepayment with or without prepayment penalty, as provided by Final Terms Certificate. The interest on the Series 2025 Note shall be paid on each Payment Date.

CoBank, ACB has represented to the Town that it is an institution of the Farm Credit System within the meaning of Chapter 23 of Title 12 of the U.S. Code. Accordingly, if CoBank, ACB, is the lender of the loan represented by the Series 2025 Note, the interest rate on the Series 2025 Note shall be subject to the provisions of 12 U.S.C 2205 and shall not be subject to any interest rate limitation imposed by the constitution or laws of the State of Colorado.

All other details regarding the Series 2025 Note, not inconsistent herewith, shall be determined and certified by Final Terms Certificate.

Section 4. Transfer and Exchange; Transfer Restrictions. Neither the Town's rights or obligations under the Loan Agreement nor any interest therein may be assigned or delegated by the Town without the prior written consent of the Lender. The Series 2025 Note may be transferred or exchanged at the principal office of the Paying Agent or at such other location designated by the Paying Agent for such purpose, in whole or in part, for a Series 2025 Note in a like principal amount of the same Maturity Date and interest rate, upon payment by the transferee of any tax or governmental charge required to be paid with respect to such transfer or exchange. Upon surrender for transfer of the Series 2025 Note, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his or her attorney duly authorized in writing, the Town shall execute and the Paying Agent shall authenticate and deliver in the name of the transferee a new Series 2025 Note. The transferring Owner shall pay any reasonable costs of the Town incurred in connection with the transfer of the Series 2025 Note.

Notwithstanding the procedure described in the immediately preceding paragraph and except as expressly permitted by the Loan Agreement, neither the Series 2025 Note nor any interest therein shall be transferred by the Lender or any subsequent Owner unless the transferee is a qualified institutional buyer or accredited investor within the meaning of Regulation D under the Securities Act of 1933 and the transferee delivers to the Town a lender letter in substantially the form set forth in Exhibit C to the Loan Agreement. Any transfer or purported transfer of any interest in the Series 2025 Note in violation of the foregoing shall be void and the Town shall have no obligation to recognize the ownership interest of, take any action on behalf of or make any payment to, the transferee or purported transferee.

Section 5. Pledge of Proceeds; Creation of Funds and Accounts. The Series 2025 Note shall be a special, limited obligation of the Town, acting by and through the Enterprise, payable solely out of the Net Revenues, USDA Direct Loan proceeds, and other legally available funds of the Town, and shall never constitute a general obligation of the Town, and the full faith and credit of the Town is not pledged therefor. The creation, perfection, enforcement and priority of the pledge of the USDA Direct Loan proceeds to secure or pay the Series 2025 Note as provided herein shall be governed by the Supplemental Public Securities Act and by this Ordinance. The USDA Direct Loan proceeds pledged for the payment of the Series 2025 Note, as received by or otherwise credited to the Town, shall immediately be subject to the lien and pledge of the Loan Agreement and this Ordinance without any physical delivery, filing or further act. Except as expressly provided in the Loan Agreement, the lien of such pledge of the USDA Direct Loan proceeds for

payment of the Series 2025 Note and the obligation to perform the contractual provisions made herein and in the Loan Agreement shall have priority over any or all other obligations and liabilities of the Town. The lien of such pledge shall be valid, binding and enforceable as against all persons having claims of any kind in tort, contract or otherwise against the Town irrespective of whether such persons have notice of such liens. There are hereby established the following funds (which shall be held and maintained by the Town in accordance with the provisions of the Loan Agreement):

- (a) the Construction Fund;
- (b) the Costs of Issuance Fund;
- (c) the Note Fund;
- (d) the Capitalized Interest Fund, if any;
- (e) the Rebate Fund; and
- (g) such other funds and accounts as permitted by the Loan Agreement.

Section 6. Application of the Supplemental Public Securities Act; Final Terms Certificate. The Town hereby elects to apply the provisions of the Supplemental Public Securities Act to the Series 2025 Note to the extent not inconsistent with the express provisions of this Ordinance. Pursuant to the Supplemental Public Securities Act, there is hereby delegated to any of the Authorized Officers the authority to confirm, by Final Terms Certificate, the final terms of the Series 2025 Note within the parameters authorized by this Ordinance, including but not limited to: (a) the selection of the Lender and the acceptance of any term sheet provided by the Lender; (b) interest rate or rates of the Series 2025 Note; (c) the net effective interest rate of the Series 2025 Note, subject to the provisions of Section 3 hereof; (d) the final principal amount of the Series 2025 Note and the denominations of the Series 2025 Note; (e) the final amortization schedule for the Series 2025 Note; and (f) the Maturity Date and principal and interest payment dates.

Section 7. Amendments to Ordinance. After the Series 2025 Note is issued, the Town shall not amend this Ordinance except as provided in the Loan Agreement.

Section 8. Authorization To Execute Documents. The Authorized Officers shall and are hereby authorized and directed to take all actions necessary or appropriate to effectuate the provisions of this Ordinance, including, but not limited to, the execution of the Loan Agreement, the USDA Grant Agreement, and such other documents, certificates and affidavits as may be reasonably required by the Lender and USDA. The Loan Agreement, in substantially the form presented to the Board at this meeting, with such changes as are not inconsistent with the intent of this Ordinance and are approved by general counsel or bond counsel to the Town, is hereby authorized and approved. The execution by any Authorized Officers of any document authorized herein shall be conclusive proof of the approval by the Town of the terms thereof.

Section 9. Costs and Expenses. All costs and expenses incurred in connection with the issuance and payment of the Series 2025 Note shall be paid either from the proceeds of the Series

2025 Note or from legally available moneys of the Town, or from a combination thereof, and such moneys are hereby appropriated for that purpose.

Section 10. Reaffirmation of Enterprise. The Board hereby reaffirms and determines that the Enterprise is an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution. The Town has and will continue to maintain the System as an “enterprise” within the meaning of Article X, Section 20 of the Colorado Constitution; provided, however, after the current calendar year the Town may disqualify the System as an “enterprise” in any year in which said disqualification does not materially, adversely affect the enforceability of the covenants made in the Loan Agreement. In the event that the System is disqualified as an enterprise and the enforceability of the covenants made by the Town in the Loan Agreement are materially, adversely affected, the Town covenants to (i) immediately take all actions necessary to qualify the System as enterprise within the meaning of Article X, Section 20 of the Colorado Constitution and (ii) permit the enforcement of the covenants made in the Loan Agreement.

Section 11. No Recourse Against Officers and Agents. Pursuant to Section 11-57-209, C.R.S., if a member of the Board, or any officer or agent of the Town, acts in good faith, no civil recourse shall be available against such member, officer or agent for payment of the principal of, interest on the Series 2025 Note. Such recourse shall not be available either directly or indirectly through the Town, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of the Series 2025 Note and as a part of the consideration for their sale or purchase, any person purchasing or selling such Series 2025 Note specifically waives any such recourse.

Section 12. Limitation of Actions. In accordance with Section 11-57-212, C.R.S., no legal or equitable action can be brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Series 2025 Note more than 30 days after the authorization of such securities.

Section 13. Ratification and Approval of Prior Actions. All actions heretofore taken by the officers and agents of the Town and the members of the Board, not inconsistent with the provisions of this Ordinance, relating to the authorization, sale, issuance and delivery of the Series 2025 Note, are hereby ratified, approved and confirmed.

Section 14. Ordinance Irrepealable. After the Series 2025 Note has been issued, this Ordinance shall constitute a contract between the Owners of the Series 2025 Note and the Town, and shall be and remain irrepealable until the Series 2025 Note and the interest accruing thereon shall have been fully paid, satisfied and discharged, as herein provided.

Section 15. Repealer. All orders, bylaws, ordinances, and resolutions of the Town, or parts thereof, inconsistent or in conflict with this Ordinance, are hereby repealed to the extent only of such inconsistency or conflict.

Section 16. Severability. If any section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance, the intent being that the same are severable.

Section 17. Effective Date. Upon final passage by the Board, this Ordinance shall be in full force and effect thirty days following the date of final publication.

PASSED AND ADOPTED this 1st day of July, 2025.

[SEAL]

TOWN OF PALISADE, COLORADO, acting
by and through its Utility Enterprise

By _____
Mayor

Attest:

By _____
Town Clerk

CONSTRUCTION LOAN AGREEMENT

by and between

**THE TOWN OF PALISADE, COLORADO,
acting by and through its Utility Enterprise,
in Mesa County, Colorado**

and

**COBANK, ACB,
as Lender**

relating to not to exceed:

**\$16,495,000
Town of Palisade, Colorado
Construction Loan Note
Series 2025
COBANK CIF # [_____]**

Dated as of _____, 2025

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CONSTRUCTION LOAN AGREEMENT

THIS CONSTRUCTION LOAN AGREEMENT, made and dated as of _____, 2025, by and between **THE TOWN OF PALISADE, COLORADO, ACTING BY AND THROUGH ITS UTILITY ENTERPRISE**, a statutory town and political subdivision of the State of Colorado (the “Borrower” or the “Town”), and **COBANK, ACB**, as lender (together with its successors and assigns, the “Lender”).

WITNESSETH:

WHEREAS, the Borrower is a statutory town and political subdivision of the State of Colorado (the “State”), duly organized and operating under the Constitution and laws of the State, and a public entity within the meaning of the Supplemental Public Securities Act, Part 2 of Article 57, Title 11, Colorado Revised Statutes, as amended (“C.R.S.”) (the “Supplemental Public Securities Act”);

WHEREAS, the Borrower is authorized by the provisions of Section 31-35-402, C.R.S., to operate and maintain sewerage facilities for its own use and for the use of public and private consumers and users within and without the territorial boundaries of the municipality, and the Borrower operates and maintains sewerage facilities (the “System”) in accordance with such authority; and

WHEREAS, the Board of Trustees of the Town (the “Board”) has heretofore determined and hereby determines that the System is an enterprise (the “Enterprise”) within the meaning of Article X, Section 20 of the Colorado Constitution (“TABOR”), as a government owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined; and

WHEREAS, the Borrower is acting hereunder and in all respects in connection with the issuance of the Series 2025 Note (as defined herein) by and through the Enterprise; and

WHEREAS, pursuant to and in accordance with the laws of the State, the Borrower, by written ordinance of the Board, proposes to undertake the financing of the decommissioning of the System’s existing lagoon system and installation of a new sewer transfer line/lift station to transfer all waste to Clifton Sanitation District for treatment (collectively, the “Project”), together with necessary and incidental costs; and

WHEREAS, in order to provide funds to pay a portion of the authorized costs of the Project, the Borrower has negotiated the making of the loan described herein by the Lender (the “Loan”) and in connection therewith the issuance of the Borrower’s Town of Palisade Colorado, acting by and through its Utility Enterprise, Construction Loan Note, Series 2025 (the “Series 2025 Note”), in an amount equal to the amount drawn on the Series 2025 Note, but not to exceed \$16,495,000, to the Lender in anticipation of the receipt of and payable from the proceeds of the USDA Direct Loans, as hereinafter defined (the “USDA Direct Loan Proceeds”), and, under the circumstances provided herein, from the Net Revenues (defined below); and

WHEREAS, the United States Department of Agriculture, acting through the United States Department of Agriculture—Rural Utilities Service (“USDA”) has proposed to grant funds to the Borrower in an amount not to exceed \$5,650,000 (the “USDA Grant”), the proceeds of which are to be used, together with the Loan proceeds and other legally available Town funds, to complete the Project; and

WHEREAS, upon completion of construction of the Project and in order to provide funds for the permanent financing for the Project, USDA proposes to make two loans to the Borrower in an amount not to exceed \$16,495,000 (the “USDA Direct Loans”) (the USDA Direct Loans and USDA Grant are referred to collectively herein as the “USDA Permanent Financing”); and

WHEREAS, the USDA Permanent Financing shall be pursuant to and in accordance with a letter of conditions provided by USDA dated February 2, 2023 (the “Letter of Conditions”); and

WHEREAS, the Borrower anticipates receipt of the USDA Direct Loan Proceeds upon completion of the Project, which amounts, together with the Net Revenues (defined below) and all other payments to be received pursuant to this Agreement, shall be pledged to the Lender as security for the payment of the principal of, premium (if any), and interest on the Series 2025 Note issued hereunder; and

WHEREAS, the Borrower has authorized the execution and delivery of this Agreement in order to provide for the authentication and delivery of the Series 2025 Note to the Lender, to establish and declare the terms and conditions upon which the Series 2025 Note is to be executed and delivered, to provide for the disbursement of the proceeds of the Series 2025 Note to the Borrower or to its order, to establish the terms and conditions of satisfying the Borrower’s obligations under the Series 2025 Note and to secure the payment of the principal thereof and interest thereon; and

WHEREAS, all acts and proceedings required by law, including, without limitation, the receipt of consents as required under the Note Ordinance (defined below) necessary to make the Series 2025 Note, when executed, authenticated and delivered by the Borrower, duly issued, the valid and binding special and limited obligation of the Borrower, and to constitute this Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Agreement have been in all respects duly authorized.

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Lender hereby agree, for themselves and their successors and assigns, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Agreement and of any loan agreement supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein

specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

“*Account*” or “*Accounts*” means any one or more, as the case may be, of the separate special accounts created and established in Article IV of this Agreement.

“*Additional Parity Obligations*” means any Obligations hereafter issued in compliance with Section 2.06 hereof having a lien on Net Revenues on a parity with the lien thereon of the Series 2025 Note.

“*Advance*” means an advancement of funds by the Lender to the Borrower hereunder pursuant to a requisition.

“*Affiliate*” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“*Agreement*” means this Construction Loan Agreement, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Agreement.

“*Authorized Denomination*” means initially the total aggregate principal amount of the Series 2025 Note and thereafter \$500,000 or any integral multiple thereof and multiples of \$1 in excess of \$500,000.

“*Authorized Officer*” means with respect to the Borrower, the [Town Manager] of the Borrower or persons designated as an Authorized Officer by resolutions of the Borrower submitted to the Lender.

“*Benchmark*” means, initially, the [Daily Simple SOFR]; provided that if a Benchmark Transition Event, or Term SOFR Transition Event and its related Benchmark Replacement Date have occurred, then “*Benchmark*” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.03 hereof.

“*Benchmark Replacement*” means,

(A) with respect to any Benchmark Transition Event, the first alternative set forth in the order below that can be determined by Lender for the applicable Benchmark Replacement Date:

(1) the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;

(2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate benchmark rate that has been selected by Lender as the replacement for the then-current Benchmark and (b) the related Benchmark Replacement Adjustment;

provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by Lender in its reasonable discretion. If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents; or

(B) with respect to any Term SOFR Transition Event, upon delivery of a Term SOFR Notice and the occurrence of the applicable Benchmark Replacement Date, the sum of (1) Term SOFR and (2) the related Benchmark Replacement Adjustment as set forth in clause (A)(1) of this definition. If the Benchmark Replacement as determined pursuant to this clause (B) would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any setting of such Unadjusted Benchmark Replacement:

(1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the first alternative set forth in the order below that can be determined by Lender:

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set that has been selected or recommended by the Relevant Governmental Body for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement;

(b) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to such Benchmark; and

(2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment that has been selected by Lender;

provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by Lender in its reasonable discretion.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Weekly Quoted Variable Rate,” the definition of “U.S. Banking Day” and “Business

Day,” and similar terms, timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions and other technical, administrative or operational matters) to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Lender in a manner substantially consistent with market practice (or, if Lender decides that adoption of any portion of such market practice is not administratively feasible or if Lender determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as Lender decides is reasonably necessary in connection with the administration of this Agreement and the other Loan Documents).

“*Benchmark Replacement Date*” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide such Benchmark (or such component thereof);
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein; or
- (3) in the case of a Term SOFR Transition Event, the date that is 30 days (or such later date as Lender may specify in the Term SOFR Notice) after the date the Term SOFR Notice is provided by Lender to the Borrower.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to such Benchmark (or the published component used in the calculation thereof).

“*Benchmark Transition Event*” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof);
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board of Governors of the Federal Reserve System, the Federal

Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide such Benchmark (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such Benchmark (or such component thereof) are no longer representative.

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.03 hereof and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with Section 2.03 hereof.

“Bond Counsel” means Kutak Rock LLP or any other attorney at law or firm of attorneys who are of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states or their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Borrower” means the Town of Palisade Colorado, acting by and through its Utility Enterprise, in Mesa County, Colorado.

“Business Day” means any day other than a Saturday, a Sunday or a day on which banks in New York, New York or Denver, Colorado are authorized by law to remain closed.

“Capital Lease” means a lease used to finance equipment for, or additions, extensions or improvements to, the System which is classified for financial reporting purposes as a capital lease pursuant to GAAP.

“Capitalized Interest Fund” means the fund by that name established pursuant to Section 4.04 of this Agreement.

“Certificate,” “Statement,” “Request,” “Direction” and “Order” of the Borrower mean, respectively, a written certificate, statement, request, direction or order signed in the name of the Borrower by an Authorized Officer. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“*Closing Date*” or “*Dated Date*” means, with respect to the Series 2025 Note, _____, 2025.

“*Code*” means the Internal Revenue Code of 1986, as it may be amended, if applicable. Any reference to a provision of the Code shall include the applicable regulations of the Department of the Treasury promulgated or proposed with respect to such provision.

“*Commitment Amount*” means the obligation of the Lender to make Advances hereunder in an aggregate principal amount not to exceed Sixteen Million Four Hundred Ninety-Five Thousand Dollars (\$16,495,000), as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof.

“*Commitment Termination Date*” means the earliest to occur of (a) 36 months from the Closing Date, (b) the date that Advances in the aggregate principal amount of the Commitment Amount have been advanced by the Lender and (c) the date that the Lender’s obligation to make Advances is terminated as provided in Article VI.

“*Collateral*” means all right, title, interest and privileges of the Borrower in, to and under (i) the Net Revenues, (ii) all amounts in the Capitalized Interest Fund, the Construction Fund, the Note Sinking Fund, the Costs of Issuance Fund and the Income Fund established hereunder (but excluding the Rebate Fund), and (iii) all interest or other income from investment of money in the Capitalized Interest Fund, the Construction Fund, the Note Sinking Fund, the Costs of Issuance Fund and the Income Fund (but excluding the Rebate Fund) established hereunder and (iv) all USDA Direct Loan Proceeds.

“*Construction Fund*” means the fund by that name established pursuant to Section 4.02 of this Agreement.

“*Costs of Issuance*” means any items of expense directly or indirectly payable or reimbursable by the Borrower and directly or indirectly attributable to the authorization, sale and issuance of the Loan and the Series 2025 Note, including, but not limited to, printing costs; costs of preparation and reproduction of documents, initial fees and charges of the Lender, including the fees of counsel to the Lender, legal fees and charges, if any, the Borrower’s fees and direct out-of-pocket expenses incurred in issuing the Series 2025 Note, fees and disbursements of financial advisers, consultants and professionals, and costs of credit ratings.

“*Costs of Issuance Fund*” means the separate trust fund so designated that is created and established in Section 4.06 of this Agreement.

“*County*” means Mesa County, Colorado.

“*Daily Simple SOFR*” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by Lender in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided, that if Lender decides that any such convention is not administratively feasible for Lender, then Lender may establish another convention in its reasonable discretion.

“Debt Service Requirements” means with respect to the Series 2025 Note and any Additional Parity Obligations, the principal of and interest on such Obligations then outstanding, without any premium, due in connection with the payment of such Obligations.

“Effective Date” means _____, 2025.

“Environmental Laws” means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or to the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“Event of Default” means any of the events specified in Section 6.02 of this Agreement.

“Federal Bankruptcy Code” means United States Code, Title 11 Bankruptcy, as amended.

“Final Terms Certificate” means a certificate of an Authorized Officer, dated on or before the Closing Date, confirming the final details of the Series 2025 Note.

“Fiscal Year” means the fiscal year of the Borrower commencing on the first day of January of a year and ending on December 31 of such year, or such other period as is established from time to time for accounting purposes of the Borrower.

“Floor” means the benchmark rate floor, if any, provided in this Agreement immediately prior to the Benchmark Replacement Date with respect to the then-current Benchmark; provided that, if no such benchmark rate floor is provided in this Agreement, the “Floor” shall be zero.

“Fund” or *“Funds”* means any one or more, as the case may be, of the separate trust funds created and established in Article IV of this Agreement.

“GAAP” means generally accepted accounting principles applicable to governmental units, as published by the Governmental Accounting Standards Board.

“Governmental Approval” means all authorizations, consents, approvals, waivers, exceptions, variances, filings, permits, orders, licenses, exemptions and declarations of or with any Governmental Authority.

“Governmental Authority” means any federal, state, provincial, county, city, town, village, municipal or other government or governmental department, commission, council, court, board, bureau, agency, authority or instrumentality (whether executive, legislative, judicial, administrative or regulatory), of or within the United States of America or its territories or possessions, including, without limitation, the State and its counties and municipalities, and their respective courts, agencies, instrumentalities and regulatory bodies, or any entity that acts “on behalf of” any of the foregoing, whether as an agency or authority of such body.

“Income” means the tap, connection and user fees (whether paid by the user or by any other party) and other charges payable by or on behalf of users of the System and all revenue, rents and income derived by the Borrower from the ordinary operation of the System including all gifts,

donations, pledges, grants, legacies, bequests, demises and contributions, heretofore or hereafter made and the income derived therefrom except as excluded under clause (a) below, the proceeds of business interruption insurance and revenues derived from the Borrower's operating mill levy, if any, as imposed by the County from time to time, but excluding (a) gifts, donations, pledges, grants, legacies, bequests, demises and contributions heretofore or hereafter made and designated or specified by the donor or maker thereof as being for a specific purpose (other than for the purpose of paying the debt service on Obligations or Operation and Maintenance Expenses, determined in accordance with GAAP), and the income derived therefrom to the extent restricted by such designation or specification; (b) unrealized gains or losses on investments of the Borrower's funds; (c) any profits or losses on the sale or disposition, not in the ordinary course of operations, of investments in fixed or capital assets or resulting from the extinguishment of any indebtedness; and (d) income from Irrevocable Deposits. *Notwithstanding the foregoing, for purposes of the pledge and lien created by this Agreement "Net Revenues" shall not include any tax revenues received by the Borrower which are attributable to an ad valorem operating mill levy; provided, however, such amounts shall constitute "Income" hereunder available to pay Operation and Maintenance Expenses and shall be the first Income allocated therefor. For the avoidance of doubt, "Income" does not include proceeds of the USDA Permanent Financing.*

"*Income Fund*" means the separate trust fund so designated that is created and established in Section 4.09 of this Agreement.

"*Investment Securities*" means any securities which at the time of investment are legal investments for the Borrower under the laws of the State.

"*ISDA Definitions*" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

"*Lender*" means CoBank, ACB, or its successor and assigns, as Lender hereunder.

"*Lien*" means any mortgage, pledge, hypothecation, assignment, mandatory deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement of any kind or nature whatsoever, including, without limitation, any sale-leaseback arrangement, any conditional sale or other title retention agreement, any financing lease having substantially the same effect as any of the foregoing, and the filing of any financing statement or similar instrument under applicable law.

"*Loan*" means the construction loan with respect to the Project being provided by the Lender pursuant to this Agreement.

"*Loan Documents*" means this Agreement, the executed Series 2025 Note, and the documents delivered on the Closing Date and identified in the closing agenda and index of documents dated the Closing Date, and any amendments to any of the foregoing.

"*Maturity Date*" means, with respect to the Series 2025 Note, the final scheduled maturity of principal of the Loan, i.e., _____, 202[] or such later date as approved by the Lender pursuant to a request for extension submitted to the Lender by the Borrower. Any extension of the

Maturity Date must be requested by the Borrower in writing to the Lender no less than three months prior to the Maturity Date.

“*Net Revenues*” means the Income less Operation and Maintenance Expenses.

“*Note Fund*” means the special fund so designated and held by the Borrower that is created and established to Section 4.03 hereof.

“*Note Register*” means the registration books of the Borrower kept by the Note Registrar to evidence the registration and transfer of the Series 2025 Note.

“*Note Registrar*” means the Finance Director of the Borrower, as keeper of the Note Register.

“*Note Ordinance*” means, with respect to the Series 2025 Note, the ordinance adopted by the Board of Trustees of the Borrower on [_____, 2025], authorizing the issuance of the Series 2025 Note and the execution of this Agreement and documents related thereto.

“*Note Sinking Fund*” means the fund by that name established pursuant to Section 4.05 of this Agreement.

“*Obligation*” or “*Obligations*” means any note, warrant, bond or any other obligation for the payment of borrowed money issued, incurred or assumed by the Borrower secured by Net Revenues, whether due and payable in all events, upon the occurrence of a condition precedent or upon the performance of work, rendering of services by others or otherwise, including all Capital Leases and also including, without limitation, the Series 2025 Note and any Additional Parity Obligations.

“*Operating Budget*” means the operating budget of the Borrower adopted by the Board.

“*Operation and Maintenance Expenses*” means such reasonable and necessary current expenses of the Borrower, paid or accrued, of operating, maintaining and repairing the System and includes, without limitation, except as limited by law, the foregoing:

(a) engineering, auditing, reporting, legal and other overhead expenses of the Borrower directly related and reasonably allocable to the administration, operation and maintenance of the System;

(b) fidelity bonds and property and liability insurance premiums relating to the System or services provided at the System;

(c) payments to pension, retirement, health and hospitalization funds, and other insurance, and to any self-insurance fund as insurance premiums not in excess of the premiums which would otherwise be required for such insurance;

(d) any general taxes, assessments, excise taxes or other charges which may be lawfully imposed on the Borrower, the System, the Income, or any privilege in connection with the System or its operation;

(e) the reasonable charges of any trustee or depositary bank relating to the Series 2025 Note;

(f) contractual services, professional services, salaries, other administrative expenses, and costs of materials, supplies, repairs and labor, relating to the System or to the issuance of the Series 2025 Note;

(g) the costs incurred by the Borrower in the collection and any refunds of all or any part of the Income;

(h) any lawful refunds of any Income; and

(i) all other administrative, general and commercial expenses of the Borrower or the System and all other current expenses pertaining to the Borrower or the System which are properly classified as operation and maintenance expenses under GAAP; but

(i) excluding any allowance for depreciation;

(ii) excluding any costs of extensions, enlargements, betterments and other improvements (or any combination thereof);

(iii) excluding any reserves for major capital replacements (other than normal repairs);

(iv) excluding any allowance for the prepayment of the Series 2025 Note as provided in Section 4.01 hereof or other Obligations evidencing a loan or other obligation or the payments due in connection therewith;

(v) excluding payments pursuant to the Series 2025 Note or any Additional Parity Obligations;

(vi) excluding payments pursuant to Capital Leases or Subordinate Obligations (except for purposes of calculating the Debt Service Coverage Ratio);

(vii) excluding any liabilities incurred in the acquisition or improvement of any properties comprising any project or any facilities (or any combination thereof) relating to the System or otherwise; and

(viii) excluding any liabilities incurred by the Borrower as the result of its negligence in the operation of the System or any other ground of legal liability not based on contract.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Outstanding” means all Obligations that have been issued by the Borrower hereunder or in compliance with Section 2.06 hereof except such Obligations: (i) canceled or delivered for cancellation; (ii) deemed to be paid; (iii) in lieu of which other Obligations have been authenticated

under the constituent instruments defining the rights of the holders of such Obligations; and (iv) Obligations held by or for the account of the Borrower.

“*Owner*” means, whenever used herein with respect to the Series 2025 Note, the Lender and any successor registered owner of the Series 2025 Note.

“*Parity Obligation Ordinances*” means any ordinances or resolutions heretofore or hereafter adopted by the Borrower or other document entered into by the Borrower authorizing the issuance of Additional Parity Obligations.

“*Participant*” means a Qualified Institutional Buyer that has purchased a participation from the Lender pursuant to a Participation Agreement.

“*Participation Agreement*” means any agreement entered into among the Lender and one or more Participants purchasing participations and named therein, pursuant to which such other Participant or Participants shall purchase from the Lender a participation or participations in this Agreement and the Series 2025 Note.

“*PATRIOT Act*” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute.

“*Payment Date*” means, with respect to the Series 2025 Note, (a) the monthly payment dates on which the interest on the Series 2025 Note shall be due and payable in arrears, commencing [_____] 20, 2025] and the 20th day of each month thereafter through and including the Maturity Date (or earlier, if the Series 2025 Note shall be prepaid pursuant to the terms of this Agreement) and (b) the Maturity Date and any other date on which the principal of the Series 2025 Note or any portion thereof is required to be repaid or prepaid under the terms of this Agreement or the Series 2025 Note, or (c) on any such other payment dates provided in the Final Terms Certificate.

“*Person*” or “*person*” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“*Plans and Specifications*” means the plans and specifications for the Project deposited with the Lender on the Closing Date, as the same may be amended from time to time with the consent of the Lender and USDA.

“*Project*” means the decommissioning of the System’s existing lagoon system and installation of a new sewer transfer line/lift station to transfer all waste to Clifton Sanitation District for treatment.

“*Project Costs*” means (a) all costs and expenses of every nature incurred in the acquisition, construction, erection, equipment and furnishing of the Project; (b) the cost of any title opinions or title insurance premiums; (c) the cost of all utility facilities connected with the Project; (d) any and all expenses incurred by the Borrower including those prior to the issuance of the Series 2025 Note, for planning, development and design, any and all expenses for architects’ and engineering fees, the fees and expenses of employees and regularly employed consultants, surveys, attorneys’

fees, and other items necessary to the commencement of construction of the Project; (e) Costs of Issuance; (f) capitalized interest on the Series 2025 Note; and (g) all other expenses, fees, costs and outlays as being necessary or incident to the acquisition, installation, construction and completion of the Project.

“Qualified Institutional Buyer” means “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof.

“Rebate Amount” is defined in the Tax Compliance Certificate.

“Rebate Analyst” is defined in the Tax Compliance Certificate.

“Rebate Fund” means the fund established by Section 4.07 hereof.

“Rebate Year” is defined in the Tax Compliance Certificate.

“Reference Time” with respect to any setting of the then-current Benchmark means the time determined by Lender in its reasonable discretion.

“Relevant Governmental Body” means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

“Series 2025 Note” means the Borrower’s Construction Loan Note, Series 2025 in the aggregate principal amount equal to the amount drawn thereunder, but not to exceed \$16,495,000.

“State” means the State of Colorado.

“SOFR” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“SOFR Administrator” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“SOFR Administrator’s Website” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“Subordinate Obligations” means Obligations having a lien on Net Revenues subordinate and junior to the lien of the Series 2025 Note.

“Supplemental Agreement” means any loan agreement hereafter duly authorized and entered into between the Borrower and the Lender, supplementing, modifying or amending this Agreement; but only if and to the extent that such Supplemental Agreement is specifically permitted hereunder.

“Supplemental Public Securities Act” means Title 11, Article 57, Part 2, C.R.S.

“System” means all of the presently existing and future real and personal property used by the Borrower for sewer services and purposes, including without limitation, any additional real or personal property hereafter designated by the Borrower as a part of the System.

“Tax Compliance Certificate” means the Tax Compliance Certificate executed by the Borrower in connection with the issuance of the Series 2025 Note.

“Term SOFR” means, as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“Term SOFR Notice” means a notification by Lender to the Borrower of the occurrence of a Term SOFR Transition Event.

“Term SOFR Transition Event” means the determination by Lender that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, (b) the administration of Term SOFR is administratively feasible for Lender, and (c) a Benchmark Transition Event has previously occurred resulting in a Benchmark Replacement in accordance with Section 2.03 hereof that is not Term SOFR.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“U.S. Banking Day” means a day on which the Lender is open for business and banks are open for business in New York, New York.

“USDA Direct Loans” means the future loan of funds from USDA to the Borrower, pursuant to the terms of the Letter of Conditions, in an aggregate principal amount not to exceed \$16,495,000, which amount is intended to be sufficient to repay the principal amount of the Series 2025 Note.

“USDA Direct Loan Proceeds” means the proceeds received by the Borrower from the USDA Direct Loans.

“USDA Grant” means the grant of funds made by USDA to the Borrower in an amount not to exceed \$5,650,000.

“USDA Grant Proceeds” means the proceeds received by the Borrower from the USDA Grant.

“USDA Permanent Financing” means, collectively, the USDA Direct Loans and the USDA Grant.

“USDA” means the United States Department of Agriculture acting through the United States Department of Agriculture–Rural Utilities Service, its successors and assigns.

“Weekly Quoted Variable Rate” means a rate per annum equal at all times to the rate of interest established by Lender on the first Business Day of each week. The rate established by Lender will be effective until the first Business Day of the next week. Each change in the rate will be applicable to all balances subject to this option and information about the then current rate will be made available upon telephonic request.

Section 1.02. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular article, section or subdivision hereof.

ARTICLE II

THE LOAN AND THE SERIES 2025 NOTE

Section 2.01. Agreement to Borrow and Lend. Subject to the terms, provisions and conditions of this Agreement and the other Loan Documents, the Borrower agrees to borrow from the Lender and the Lender agrees to lend to the Borrower, as follows:

(a) **Loan Amount:** The principal amount of the Loan shall not exceed the lesser of the amount drawn thereunder or \$16,495,000.

(b) **Closing Disbursements:** Upon the Borrower’s compliance with and satisfaction of all conditions precedent to the closing of the Loan, and upon the written approval of USDA, the Lender agrees to disburse on the Closing Date not to exceed \$[] for Costs of Issuance not to exceed \$[] for deposit into the Capitalized Interest Fund, and not to exceed \$[] for deposit into the Construction Fund for other Project Costs.

(c) **Disbursements for Construction:** After the Closing Date, the Borrower shall be entitled to receive further successive disbursements of the proceeds of the Loan to the Construction Fund in accordance with Article IV hereof within ten (10) business days after compliance with all conditions precedent thereto provided in Section 4.02 hereof.

(d) **Principal Balance of the Series 2025 Note:** The Principal Balance of the Series 2025 Note as of any particular date shall include all amounts of Loan proceeds

disbursed by the Lender, less any amounts of principal of the Series 2025 Note either prepaid or paid in the ordinary course as of such date.

(e) Conditions Precedent: No amount of the Loan may be disbursed prior to receipt by the Lender of the Letter of Conditions and the Borrower's Letter of Intent to Meet Conditions.

Section 2.02. Authorization of the Series 2025 Note. The Series 2025 Note is authorized to be executed in an aggregate principal amount not to exceed \$16,495,000, which amount shall be equal to the amount drawn thereunder. The Series 2025 Note is executed in anticipation of receipt by the Borrower of the USDA Direct Loans and the USDA Grant and payable from the USDA Direct Loan Proceeds and the USDA Grant Proceeds. The Series 2025 Note is secured as provided in the following paragraph. The Series 2025 Note is not payable in any manner by taxation and does not constitute a general obligation of the Borrower.

The USDA Direct Loan Proceeds and the USDA Grant Proceeds, together with the Net Revenues, are hereby pledged by the Borrower to the payment of the Series 2025 Note and, to the extent that such USDA Direct Loan Proceeds and USDA Grant Proceeds exceed the authorized principal amount of the Series 2025 Note and the accrued interest thereon, the Borrower shall apply such excess funds as provided in the Letter of Conditions or obtain written approval from USDA to apply such excess funds to the payment of other obligations issued to pay costs of the Project. If the Borrower does not request and obtain such written approval from USDA, USDA will deobligate any excess amounts that were previously designated but not applied to the payment of Project Costs, as provided in the Letter of Conditions.

This Agreement constitutes a continuing agreement with the registered Owner from time to time of the Series 2025 Note, to secure the full payment of the principal of and interest thereon, subject to the covenants, provisions and conditions herein contained.

The Borrower and the Lender agree and intend that the USDA Direct Loans are not intended to represent a direct or indirect federal guarantee of debt service on the Series 2025 Note and that disbursement of the USDA Direct Loans is subject to compliance with the stated terms thereof.

Section 2.03. Terms of the Series 2025 Note. The Series 2025 Note shall be issued in an Authorized Denomination as a single, fully registered Series 2025 Note without coupons. Unless the Borrower shall otherwise direct, the Series 2025 Note shall be numbered R-1.

The Series 2025 Note shall be dated as of the Closing Date, and shall mature on the Maturity Date, and shall bear interest from the Closing Date, at the [Daily Simple SOFR]. While CoBank, ACB remains the lender of the loan represented by the Series 2025 Note, such interest rate shall be subject to the provisions of 12 U.S.C 2205 and shall not be subject to any interest rate limitation imposed by the constitution or laws of the State of Colorado. Interest on the Series 2025 Note shall be payable on each Payment Date thereafter through and including the Maturity Date and shall be calculated on the actual number of days it is outstanding on the basis of a year consisting of 360 days.

Notwithstanding anything to the contrary herein or in any other Loan Document, if a Benchmark Transition Event or a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then the Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document.

In connection with the implementation of a Benchmark Replacement, the Lender will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of the Borrower or any other person.

The Lender will promptly notify the Borrower of (i) any occurrence of a Benchmark Transition Event or Term SOFR Transition Event and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, and (iv) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Lender pursuant to this Section will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from the Borrower or any other person.

Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, if any pending request for an advance under the Loan requests an advance at the then-current Benchmark, such advance shall be made as an advance at the Weekly Quoted Variable Rate option.

The Lender does not warrant or accept responsibility for, each of the parties hereto hereby acknowledge and agree (for the benefit of the Lender) that the Lender shall not have any liability with respect to (a) the administration of, submission of, calculation of or any other matter related to the Term SOFR, Daily Simple SOFR, or any other SOFR-based rate, any component definition thereof or rates referenced in the definition thereof or any alternative, comparable or successor rate thereto (including any then-current Benchmark or any Benchmark Replacement), including whether the composition or characteristics of any such alternative, comparable or successor rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, any other Benchmark, or (b) the effect, implementation or composition of any Benchmark Replacement Conforming Changes.

The Principal Balance of the Series 2025 Note shall bear interest only from and including the date of its initial authentication and delivery through and including the Maturity Date (or earlier, should the Series 2025 Note be prepaid pursuant to the terms of this Section 2.03), and thereafter, principal of and interest on the Series 2025 Note shall be paid on each Payment Date through and including the Maturity Date. The interest and principal, if any, so payable on any Payment Date will be paid to the persons in whose names the Series 2025 Note is registered, except as provided below.

Principal of and interest on the Series 2025 Note shall be paid to the Owner of the Series 2025 Note by check or draft or at the request of the Owner, by wire transfer to the Owner.

The Series 2025 Note may be prepaid, at the option of the Borrower, in whole or in part, on any date at a price equal to the principal amount thereof then outstanding plus accrued interest to the date of prepayment, without premium, and shall be repaid as provided in Section 5.25 of this Agreement. The Borrower covenants that it will apply the USDA Direct Loan Proceeds promptly upon receipt to the payment of the Series 2025 Note.

Section 2.04. Form of the Series 2025 Note. The Series 2025 Note, the certificate of authentication and the form of assignment shall be substantially in the respective forms thereof set forth in Exhibit A hereto and consistent with this Agreement.

The Series 2025 Note shall be in fully registered form, and the Owner of the Series 2025 Note shall be regarded as the absolute owner thereof for all purposes of this Agreement. Notwithstanding the foregoing, payments under the Series 2025 Note will be made by automated clearing house (ACH), unless otherwise agreed in writing by Lender.

Section 2.05. Execution of the Series 2025 Note. The Series 2025 Note shall be executed in the name and on behalf of the Borrower with the manual or facsimile signature of an Authorized Officer of the Borrower, and shall be attested by the manual or facsimile signature of another Authorized Officer of the Borrower. The Series 2025 Note shall then be authenticated by the Note Registrar on the date of issuance. In case any of the officers who shall have signed or attested any of the Series 2025 Note shall cease to be such officer or officers of the Borrower before the Series 2025 Note so signed or attested shall have been authenticated or issued by the Borrower, the Series 2025 Note may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon such Borrower as though those who signed and attested the same had continued to be such officers of such Borrower, and also the Series 2025 Note may be signed and attested on behalf of the Borrower by such persons as at the actual date of execution of such Series 2025 Note shall be the proper officers of such Borrower although at the nominal date of such Series 2025 Note any such person shall not have been such officer of such Borrower.

Only the Series 2025 Note that bears thereon a certificate of authentication substantially in the form hereinbefore recited, manually executed by the Note Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Agreement, and such certificate of the Note Registrar shall be conclusive evidence that the Series 2025 Note so authenticated has been duly executed, authenticated and delivered hereunder and are entitled to the benefit of this Agreement.

Section 2.06. Issuance of Additional Parity Obligations. The Borrower shall not issue any Additional Parity Obligations without first obtaining the prior written consent of the Lender and USDA.

In addition, unless otherwise agreed to in writing by the Lender, while this Agreement is in effect, the Borrower shall not:

- (a) With respect to the System, create, incur, assume or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money (including trade or bankers' acceptances), letters of credit, or for the deferred purchase price of property or services

(including leases that should be capitalized on the books of the lessee in accordance with GAAP), except for:

- i. debt to the Lender.
 - ii. accounts payable to trade creditors incurred in the ordinary course of business.
 - iii. current operating liabilities (other than for borrowed money) incurred in the ordinary course of business.
 - iv. debt of the Borrower to the State Revolving Fund (“SRF”).
 - v. debt of the Borrower to USDA.
 - vi. purchase money security indebtedness, provided that such indebtedness does not exceed 100% of the purchase price of the asset(s) being acquired.
 - vii. any lease or installment purchase obligation solely secured by the leased or purchased property and made subject to annual appropriation by the Borrower.
 - viii. obligations secured solely by a pledge of assets other than the System or revenues generated from facilities operated by the Borrower other than the System.
- (b) With respect to the System, assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Borrower’s business.
- (c) With respect to the System, create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of the System’s property, real or personal (collectively, “Liens”). The foregoing restrictions will not apply to:
- i. Liens in favor of Lender.
 - ii. Liens in favor of USDA to secure indebtedness permitted hereunder.
 - iii. Liens in favor of the SRF to secure indebtedness permitted hereunder.
 - iv. Liens for taxes, assessments, or governmental charges that are not past due.
 - v. pledges and deposits under workers’ compensation, unemployment insurance, and social security Laws.

- vi. pledges and deposits to secure the performance of bids, tenders, contracts (other than contracts for payment of money), and like obligations arising in the ordinary course of business as conducted on the date hereof.
 - vii. Liens imposed by law in favor of mechanics, material suppliers, warehouses, and like persons that secure obligations that are not past due.
 - viii. easements, rights-of-way, restrictions, and other similar encumbrances that, in the aggregate, do not materially interfere with the occupation, use, and enjoyment of the property or assets encumbered thereby in the normal course of business or materially impair the value of the property subject thereto.
 - ix. purchase money Liens to secure indebtedness permitted hereunder.
- (d) The Borrower shall not issue or incur any indebtedness or obligation payable from or secured by the USDA Direct Loan Proceeds.

Section 2.07. Supplemental Ordinances. Additional Parity Obligations or Subordinate Obligations shall be issued only with the prior written approval of USDA and the Lender, and after authorization thereof by Parity Obligation Ordinances, supplemental resolution or other instrument, stating the purpose or purposes of the issuance of such additional Obligations, directing the application of the proceeds thereof to such purpose or purposes, directing the execution thereof, and fixing and determining the date, principal amount, maturity or maturities, maximum rate or rates of interest, and prior prepayment privileges with respect thereto, and providing for payments to and from the Income Fund in accordance with this Agreement.

Section 2.08. Note Register. The Note Registrar will keep or cause to be kept, at the office of the Note Registrar, sufficient records for the registration and transfer of the Series 2025 Note, which shall, subject to such reasonable procedures and policies of the Note Registrar, be open to inspection during regular business hours by the Borrower and the Owners; and, upon presentation for such purpose, the Note Registrar shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, Series 2025 Note as hereinbefore provided.

Section 2.09. Replacement of the Series 2025 Note. Upon receipt by the Borrower of evidence satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of the Series 2025 Note and, in the case of a lost, stolen or destroyed Series 2025 Note, of indemnity satisfactory to it, and in the case of a mutilated Series 2025 Note upon surrender and cancellation of the Series 2025 Note, (a) the Borrower shall execute and deliver a new Series 2025 Note of the same principal amount, interest rate and maturity date in lieu of such lost, stolen, destroyed or mutilated Series 2025 Note; or (b) if such lost, stolen, destroyed or mutilated Series 2025 Note shall have matured or have been prepaid as provided in Section 2.03 hereof, in lieu of executing and delivering a new Series 2025 Note as aforesaid, the Borrower may pay such Series 2025 Note. Any such new Series 2025 Note shall bear a number not previously assigned. The applicant for any such new Series 2025 Note may be required to pay all expenses and charges of the Borrower in connection with the issuance of such Series 2025 Note. The Series 2025 Note shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing conditions

are exclusive with respect to the replacement and payment of mutilated, destroyed, lost or stolen Series 2025 Notes, negotiable instruments or other securities.

ARTICLE III

ISSUANCE OF SERIES 2025 NOTE; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the Series 2025 Note. Upon execution of this Agreement, the Borrower may execute and, upon satisfaction of the conditions set forth in this Section, the Note Registrar shall authenticate and deliver the Series 2025 Note in the principal amount set forth in Section 2.02 hereof. Prior to the authentication and delivery of the Series 2025 Note, there shall have been filed with the Lender each of the following:

- (a) a certified copy of the Note Ordinance and Final Terms Certificate;
- (b) a copy of this Agreement and all other Loan Documents, duly executed; and
- (c) a copy of the duly executed Bond Counsel opinion, addressed to the Borrower and the Lender.

The proceeds of the Series 2025 Note shall be applied to the funds and Accounts provided in Section 2.01 and Article IV hereof.

Section 3.02. Validity of the Series 2025 Note. Pursuant to the Supplemental Public Securities Act and the Note Ordinance, the Series 2025 Note shall recite that it is issued under the authority of the Note Ordinance and the Supplemental Public Securities Act. Such recital shall conclusively impart full compliance with all the provisions of the Note Ordinance and the Supplemental Public Securities Act and shall be conclusive evidence of the validity and regularity of the issuance of the Series 2025 Note after its delivery for value, and the Series 2025 Note issued containing such recital shall be incontestable for any cause whatsoever after its delivery for value.

ARTICLE IV

PAYMENT OF PRINCIPAL OF AND INTEREST ON THE SERIES 2025 NOTE; CREATION OF FUNDS AND ACCOUNTS

Section 4.01. Source of Payment of the Series 2025 Note; Pledge. The Series 2025 Note herein authorized and all payments to be made by the Borrower thereon and into the various funds established under this Agreement are limited obligations of the Borrower payable solely from the proceeds of the Series 2025 Note, the Net Revenues, the USDA Direct Loan Proceeds (on an exclusive lien basis), the USDA Grant Proceeds (on an exclusive lien basis) and all amounts held in any Fund or Account established by this Agreement (except the Rebate Fund), including investments thereof, which amounts, if any, are hereby pledged by the Borrower to the Lender to secure the payment of the principal of and interest on the Series 2025 Note in accordance with its terms and the provisions of this Agreement, subject only to the provisions of this Agreement permitting the application or exercise thereof for or to the purposes and on the terms and conditions herein set forth. Pursuant to the Supplemental Public Securities Act, this pledge shall be valid and binding from and after the date of the delivery of the Series 2025 Note, and the moneys received

by the Borrower and hereby pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof, any filing, or further act.

Section 4.02. Construction Fund. The Borrower shall establish and maintain a separate fund known as the Construction Fund (the “Construction Fund”) with an insured banking institution acceptable to the Lender for the purpose of accounting for Project Costs. The Lender may disburse Loan proceeds to the Construction Fund, to the Borrower for reimbursement or directly to the parties identified in the related requisitions to whom payment is due.

Loan proceeds shall be disbursed for the payment of Project Costs, subject to the concurrence in such disbursements by USDA. Each payment of Project Costs shall be made only upon receipt by the Lender of a requisition, in substantially the form set forth in Exhibit B hereto, signed by an Authorized Officer of the Lender and approved by USDA, together with a detailed explanation showing the payment to be necessary and reasonable, stating:

- (a) the requisition number;
- (b) the name and address of the person, firm or corporation to whom payment is due or was made;
- (c) the amount to be paid or for which reimbursement is sought;
- (d) that none of the items for which the payment or reimbursement is proposed to be made has been the subject of any payment or reimbursement theretofore made from the Construction Fund; and
- (e) the nature of each item for which the payment or reimbursement is proposed to be made and that such item is or was reasonable and necessary in connection with the design, planning, acquisition, construction, improvement or equipping of the Project, and in all cases is a proper charge against the Construction Fund.

Any amounts remaining on deposit in the Construction Fund after completion of the Project shall at the direction of the Borrower be deposited in the Note Sinking Fund for future payments of principal and interest on the Series 2025 Note, applied to the acquisition and installation of additions, improvements and expansion of the Project or applied as otherwise provided by the Letter of Conditions.

The Borrower shall cause to be kept and maintained adequate records pertaining to the Construction Fund and all disbursements therefrom. As required by USDA, the Borrower shall file copies of the records pertaining to the Construction Fund and all disbursements from such fund with USDA. Moneys in the Construction Fund shall be invested and reinvested in Investment Securities pursuant to Section 4.10 hereof.

Section 4.03. Note Fund. There is hereby created a special and separate Account to be held by the Borrower and to be known as the “Town of Palisade Series 2025 Note Fund,” which Fund shall consist of a Principal Account, an Interest Account and [a Capitalized Interest Account].

There shall be deposited for credit to the Note Fund, and to the applicable Accounts therein, from the Net Revenues, simultaneously with any deposits required by any Parity Obligation Ordinance adopted in compliance with this Agreement, the following amounts:

(a) monthly, commencing on the first Payment Date, the amount necessary, together with any other moneys from time to time available therefor from whatever source, to pay the next maturing installment of interest on the Series 2025 Note, except to the extent payment of interest on the Series 2025 Note is provided by capitalized interest pursuant to Section 4.04 hereof.

(b) monthly, commencing on the Maturity Date, an amount sufficient, together with any other moneys from time to time available therefor from whatever source, to pay the next due installment of principal of the Series 2025 Note.

The moneys deposited for credit to the Note Fund shall be used by the Borrower to pay the Debt Service Requirements of the Series 2025 Note and Additional Parity Obligations as the same become due and payable, provided that funds advanced by the Lender for deposit to the Capitalized Interest Account shall be used only for the payment of interest on the Series 2025 Note.

Section 4.04. Capitalized Interest Fund. The Borrower shall establish and maintain so long as the Series 2025 Note is outstanding a separate fund to be known as the Capitalized Interest Fund (the “Capitalized Interest Fund”). During the period of acquisition and construction of the Project, amounts available to be requisitioned from Loan Proceeds or already on deposit in the Capitalized Interest Fund shall be applied to the Capitalized Interest Account of the Note Fund and used to pay interest on the Series 2025 Note. Money on deposit in the Capitalized Interest Fund, other than income thereon which may be transferred as directed by the Borrower with the written consent of the Lender to other funds created pursuant to this Agreement, shall be used to pay interest on the Series 2025 Note as it becomes due. [Note: capitalized interest is not eligible for reimbursement from USDA funds]

Section 4.05. Note Sinking Fund. The Borrower shall establish and maintain so long as the Series 2025 Note is outstanding a separate fund to be known as the Note Sinking Fund (the “Note Sinking Fund”). There shall be deposited into the Note Sinking Fund the USDA Direct Loan Proceeds and USDA Grant Proceeds to pay principal of the Series 2025 Note upon final maturity or prepayment.

Income earned by money or deposit in the Note Sinking Fund or remaining after prepayment of the Series 2025 Note in full may be transferred at the Borrower’s option to any of the other funds created hereunder or applied as provided in the Letter of Conditions.

Section 4.06. Costs of Issuance Fund. The Borrower shall establish and maintain a separate fund with the Lender to be known as the Costs of Issuance Fund (the “Costs of Issuance Fund”). Moneys in the Costs of Issuance Fund shall be disbursed from time to time in amounts equal to the amount of costs and expenses of issuing the Series 2025 Note, as certified in writing by the Borrower. At such time as all such fees and expenses have been paid, and in any case not later than six (6) months from the Closing Date, the Borrower shall transfer any moneys remaining in the Costs of Issuance Fund to the Construction Fund.

Section 4.07. Rebate Fund. The Borrower shall establish and maintain so long as the Series 2025 Note is outstanding and subject to a requirement of the Code that arbitrage profits be rebated to the United States of America, a separate Account to be known as the “Rebate Fund” (the “Rebate Fund”). The Borrower shall make deposits and disbursements from the Rebate Fund in accordance with the Tax Compliance Certificate, shall invest the amounts held in the Rebate Fund and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund. Anything in this Agreement to the contrary notwithstanding, this Section 4.07 and the Tax Compliance Certificate may be superseded or amended by new instructions delivered by the Borrower and accompanied by an opinion of Bond Counsel addressed to the Borrower to the effect that the use of the new instructions will not cause interest on the Series 2025 Note to be included in gross income for federal income tax purposes.

If a deposit to the Rebate Fund is required as a result of the computations made or caused to be made by the Borrower, the Borrower shall deposit such payment into the Rebate Fund. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, such amounts shall be retained by the Borrower. Records of the determinations required by this Section and the instructions must be retained by the Borrower until six (6) years after the Series 2025 Note is no longer outstanding.

It is anticipated [*to be confirmed with Town*] that the Series 2025 Note will be exempt from rebate pursuant to the 18-month spend down exception (Section 1.148-7(d) of the Treasury Regulations). If such exception or an alternative exception to the arbitrage rebate requirements is not met, the Borrower will comply with the following rebate requirements. Promptly after each Rebate Year, and not later than thirty (30) days after the prepayment, payment at maturity or other retirement of the Series 2025 Note, the Borrower shall engage, and furnish information to, the Rebate Analyst and cause the Rebate Analyst to calculate the Rebate Amount with respect to the Series 2025 Note. The Borrower shall receive a copy of the report of the Rebate Analyst. The Borrower shall determine if the amount in the related subaccount of the Rebate Fund is equal to the calculated Rebate Amount. If the amount in the related subaccount of the Rebate Fund is in excess of the amount required to be therein in accordance with the report of the Rebate Analyst, then such excess shall be transferred to the Capitalized Interest Fund. To the extent the moneys in the related subaccount of the Rebate Fund are less than the amount required to be deposited therein, the Borrower shall transfer such amounts necessary to reserve for the anticipated Rebate Amount payment to the United States Treasury from the Capitalized Interest Fund in accordance with this Agreement.

Section 4.08. Payment to the Borrower. Any moneys remaining in all Funds and Accounts after all obligations of the Borrower to the Lender under the Series 2025 Note and this Agreement have been paid in full shall be paid to the Borrower or, if applicable, the persons legally entitled thereto.

Section 4.09. Income Fund. Except as otherwise provided herein, the entire Income, upon receipt thereof from time to time, shall be deposited immediately into a special and separate account hereby created and to be known as the Income Fund (the “Income Fund”) which shall be held by the Borrower and maintained as a book account and kept separate from all other accounts as a trust account solely for the purposes herein designated therefor. As a first charge on the Income Fund there shall be paid Operation and Maintenance Expenses of the Borrower as they

become due and payable. The Net Revenues on deposit in the Income Fund shall be applied in the following order of priority:

FIRST, to the Note Fund in the manner set forth in Section 4.03 hereof and to any Note fund created by any Parity Obligation Ordinance adopted in compliance with this Agreement, pursuant to similar sections contained in such Parity Obligation Ordinance, provided, however, that payment of interest on the Series 2025 Note provided by capitalized interest need not be deposited into the Note Fund;

SECOND, to the Rebate Fund as determined by the Borrower in accordance with the Tax Compliance Certificate from time to time and in accordance with Section 4.07 hereof and to any rebate fund created by any Parity Obligation Ordinance adopted in compliance with this Agreement;

THIRD, to the payment of the Debt Service Requirements of Subordinate Obligations issued under ordinances or resolutions adopted in compliance with this Agreement or any Parity Obligation Ordinance; and

FOURTH, subject to the payments required or permitted by this Article IV, any remaining Net Revenues may be used by the Borrower for any one or any combination of lawful purposes.

Section 4.10. Investment of Money. All money held in any funds or Accounts established pursuant to this Agreement shall be invested solely in Investment Securities which shall mature not later than the date when the amounts will foreseeably be needed for purposes set forth in this Agreement, but in no event later than the Maturity Date, and which are permissible investments pursuant to State law. All Investment Securities shall be acquired subject to the limitations set forth in Section 5.09 hereof, compliance with which shall be the sole responsibility of the Borrower.

ARTICLE V

GENERAL COVENANTS

Section 5.01. General. The Borrower is duly organized and validly existing as a statutory town and political subdivision of the State, duly organized and operating under the Constitution and laws of the State, and a public entity within the meaning of the Supplemental Public Securities Act. The Borrower is authorized to enter into the transactions contemplated by this Agreement under the laws of the State and pursuant to the Note Ordinance. The Borrower hereby covenants and agrees with the Owner and makes provisions which shall be a part of its contract with such Owner to the effect and with the purpose set forth in the following Sections of this Article.

Section 5.02. Covenant to Enter into USDA Permanent Financing; Payment of Principal, Premium, if any, and Interest. The Borrower has received the Letter of Conditions and has executed its Letter of Intent to Meet Conditions. The Borrower covenants to take all necessary actions reasonably required to obtain the USDA Permanent Financing. The Borrower covenants, to and for the benefit of the Owner, to proceed with the construction of the Project with due diligence to completion in accordance with the Plans and Specifications, to comply with the

terms and conditions of the Letter of Conditions and to enter into the USDA Permanent Financing and immediately deposit the USDA Direct Loan Proceeds to the Note Sinking Fund if and when received to be used to pay the Series 2025 Note as provided in Section 4.05 hereof.

The Borrower covenants that it will promptly pay the principal of, premium, if any, and interest on the Series 2025 Note issued under this Agreement at the place, on the dates and in the manner provided herein and in the Series 2025 Note according to the true intent and meaning thereof. The principal of and interest on the Series 2025 Note are limited obligations of the Borrower and are payable solely from the Collateral and shall be a valid claim of the holder thereof against the Collateral. The Series 2025 Note is not payable from or secured by property tax revenues and is not a general obligation of the Borrower.

If USDA does not make the USDA Direct Loans or grant the USDA Grant, the Borrower shall apply all Net Revenues and other Collateral which is available from time to time to the payment of the principal of and interest on the Series 2025 Note, and the Borrower shall promptly obtain another loan to provide other permanent financing for the Project, the proceeds of which will be deposited to the Series 2025 Note Sinking Fund when received to pay the Series 2025 Note as provided in Section 4.05 hereof.

Section 5.03. Performance of Duties. The Borrower, acting by and through its officers, or otherwise, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Income and the System required by the Constitution and laws of the State and the resolutions and contracts of the Borrower, including, without limitation, the proper segregation of the proceeds of the Series 2025 Note and the Income and their application from time to time to the respective funds provided therefor.

Section 5.04. Contractual Obligations. The Borrower shall perform all contractual obligations undertaken by it under any agreements relating to the Series 2025 Note, the Net Revenues, the Project and the System, or any combination thereof.

Section 5.05. Maintenance of Existence; Compliance with Laws; Operation and Maintenance. The Borrower shall faithfully and punctually perform all duties with reference to the Project required and provided by the Constitution and laws of the State.

The Borrower agrees to pay all expenses of the operation and maintenance of the System, including adequate insurance thereon and insurance against all liability for injury to persons or property arising from its operation as hereinafter provided.

The Borrower shall procure and maintain all necessary licenses and permits and, if appropriate, maintain accreditation of the System. The Borrower will operate the System as a revenue-producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order. The Borrower will use the Project for purposes authorized by law and will not install, use, operate or maintain the Project improperly, carelessly, in violation of the applicable law or in a manner contrary to that contemplated by this Agreement.

Section 5.06. Further Assurances. At any and all times the Borrower shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver, and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other

documents, and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Net Revenues and other funds hereby pledged, or intended so to be, or which the Borrower may hereafter become bound to pledge, or as may be reasonable and required to carry out the purposes of this Agreement. The Borrower, acting by and through its officers, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Net Revenues and other funds pledged hereunder and all the rights of every Owner of the Series 2025 Note against all claims and demands of all Persons whomsoever.

Section 5.07. Payment of Notes. The Borrower agrees to pay the Debt Service Requirements of the Series 2025 Note and any Additional Parity Obligations issued in compliance with Section 2.06 hereof when due and payable at the places, on the dates and in the manner specified herein.

Section 5.08. Corporate Existence. The Borrower shall maintain its corporate identity and existence, and agrees to continue to maintain the Enterprise as an “enterprise” within the meaning of TABOR, for so long as the Series 2025 Note remains outstanding, unless another body corporate and politic by operation of law succeeds in writing to the powers, privileges, rights, liabilities, disabilities, duties and immunities of the Borrower and is obligated by law to operate and maintain the System and to fix and collect the Income as herein provided; and provided that the successor body corporate and politic shall provide a certification to the Owner of the Series 2025 Note to the effect that such succession will not adversely and materially affect at any time the privileges and rights of the Owner of the Series 2025 Note and will provide the Owner of the Series 2025 Note with an opinion of Bond Counsel that the succession will not adversely affect the excludability from gross income of interest on the Series 2025 Note for federal income tax purposes.

Section 5.09. Tax Covenants. It is the intention of the Borrower that interest on the Series 2025 Note be and remain excludable from gross income for federal income tax purposes pursuant to the appropriate provisions of the Code and the Treasury Regulations in effect with respect thereto. In furtherance thereof, the Borrower covenants for the benefit of the Lender that it will not take any action or omit to take any action with respect to the Series 2025 Note, the proceeds thereof, any other funds of the Borrower or any facilities financed or refinanced with the proceeds of the Series 2025 Note if such action or omission (i) would cause the interest on the Series 2025 Note to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), or (ii) would cause interest on the Series 2025 Note to lose its exclusion from alternative minimum taxable income imposed on individuals, as defined in Section 55(b)(2) of Code. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of the Series 2025 Note until the date on which all obligations of the Borrower in fulfilling the above covenant under the Code have been met.

Section 5.10. Liens and Encumbrances. The Borrower will not create or suffer to be created any pledge, lien, encumbrance or charge upon the System or upon the Income therefrom except as permitted by this Agreement and subject to the prior written consent of USDA where required, or it will make adequate provisions to satisfy and discharge within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which,

if unpaid, might by law become a lien upon the System or upon the Income therefrom; provided, however, that nothing herein shall apply to any lien or charge upon property which is financed pursuant to a Capital Lease excepted from the definition of “Obligation” or hereunder authorized in compliance with the provisions of Section 2.06 hereof.

The Borrower agrees that it shall not directly or indirectly create, incur, assume or suffer to exist any pledge, lien, charge or other encumbrance upon the accounts receivable, inventory, machinery, and equipment now owned or hereafter acquired by the Borrower. Terms used but not otherwise defined in this Section shall have the meanings given to them by GAAP.

Section 5.11. Conditions Precedent. Upon the date of issuance of the Series 2025 Note, all conditions, acts and things required by the Constitution or laws of the United States of America, the Constitution or laws of the State, the Supplemental Public Securities Act, and this Agreement to exist, to have happened, and to have been performed precedent to or in the issuance of the Series 2025 Note shall exist, have happened and have been performed, and the Series 2025 Note, together with all other obligations of the Borrower, shall not contravene any debt or other limitation prescribed by the Constitution or laws of the United States of America or the Constitution or laws of the State.

Section 5.12. Reserved.

Section 5.13. Collection of Charges. The Borrower shall cause all rates, fees, and charges to be billed promptly and collected as soon as reasonable, shall prescribe and enforce rules and regulations or impose contractual obligations for the payment thereof, to the end that the Net Revenues shall be adequate to meet the requirements of this Agreement and any Additional Parity Obligation Ordinance or instrument supplemental hereto.

Section 5.14. Alienating System Facilities and Other Assets. The Borrower agrees it will not sell, lease, mortgage, pledge, or otherwise encumber, or in any manner dispose of, or otherwise alienate, its interest in the System facilities, or any part thereof, including any and all extensions and additions that may be made thereto, accounts receivable, inventory or any intangible property without the prior written consent of the Owner until the Series 2025 Note shall have been paid in full, both principal and interest, except that (a) the Borrower may sell or otherwise dispose of any portion of the System which shall have been replaced by other property of at least equal value, or which shall become obsolete or shall cease to be necessary for the efficient operation of the System, but in no manner nor to such extent as might prejudice the security for the payment of the Series 2025 Note; provided, however, that in the event of any sale as aforesaid, the proceeds of such sale shall be distributed as Net Revenues in accordance with the provisions of Section 6.05 hereof.

Section 5.15. Loss from Condemnation or Casualty. If any part of the System is taken by the exercise of the power of eminent domain or damaged or destroyed, the amount of any award or insurance proceeds received by the Borrower as a result of such taking, damage or destruction shall be paid into the Income Fund or into a capital improvement account pertaining to the System for the purposes thereof, or applied to the prepayment of the Series 2025 Note, all as the Borrower may direct with the consent of the Owner of the Series 2025 Note. The Borrower shall not by reason of a casualty or the payment of a condemnation award be entitled to any reimbursement by

the Owner or any postponement, diminution, or abatement of the Borrower's obligation to pay the Debt Service Requirements of the Series 2025 Note.

Section 5.16. Nonsectarian Use. The Borrower agrees that no proceeds of the Series 2025 Note shall be used to acquire, construct, install or finance any facilities which are intended to be used primarily for sectarian purposes, nor shall any portion of the Project be used for such purposes.

Section 5.17. Licenses and Qualifications. The Borrower will do all things necessary to obtain, renew and secure all permits, licenses and other governmental approvals necessary for operation of the System as wastewater facilities and to establish and maintain the status of the Borrower as a provider of wastewater services eligible for reimbursement under governmental programs providing for the payment or reimbursement for services rendered.

Section 5.18. Operating Budget. The Borrower and officials of the Borrower shall annually and at such other times as may be provided by law prepare and adopt an Operating Budget pertaining to the System.

Section 5.19. Payment of Governmental Charges. The Borrower shall pay or cause to be discharged or shall make adequate provision to satisfy and to discharge, within 90 days after the same shall become payable, all lawful claims and demands for taxes, assessments or other municipal or governmental charges which, if unpaid, might by law become a lien upon the System, or any part thereof, or the Net Revenues. The Borrower shall duly observe and comply with all requirements of any municipal or governmental authority relative to the System, or any part thereof.

Section 5.20. Protection of Obligation. The Borrower and its officers, agents and employees shall not take any action which might prejudice the security for the payment of the Debt Service Requirements of the Series 2025 Note according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Owner of the Series 2025 Note or any other Obligation might be prejudicially and materially impaired or diminished.

Section 5.21. Additional Obligations. The Borrower shall not hereafter issue any Obligations relating to the System and payable from the Net Revenues, except in compliance with Section 2.06 hereof. The Borrower shall not issue or incur any indebtedness or obligations payable from or secured by the USDA Direct Loan Proceeds.

Section 5.22. Maintenance of Records and Access to Information. So long as the Series 2025 Note remains outstanding, proper books of record and account shall be kept by the Borrower, separate and apart from all other records and accounts.

The Borrower agrees to furnish the Owner, promptly upon the receipt of a written request therefrom, any additional documents, financial information, data or projections reasonably requested by the Owner. Such documents and records shall be open to inspection during normal business hours by the Owners.

Section 5.23. Designation of Additional Paying Agents. The Borrower may cause the necessary arrangements to be made through the Lender and to be thereafter continued for the

designation of alternate paying agents, if any, and for the making available of funds hereunder for the payment of such of the Series 2025 Note.

Section 5.24. Insurance. The Borrower will carry fire and extended insurance coverage on all structures in an amount equal to at least the depreciated replacement value, loss of use insurance, workers' compensation insurance, public liability insurance, property damage insurance, medical malpractice insurance and other types of insurance with respect to the System in such amounts and to such extent as is customary in the case of similarly situated entities engaged in similar activities, and to the extent reasonably necessary to protect the interests of the Borrower and the Owner. On or prior to the Closing Date, the Borrower shall furnish the Owner a certificate of insurance evidencing the insurance policies referenced above and USDA or its successor agency shall be listed as loss payee on such insurance policies in a manner acceptable to the Owner. The cost of such insurance shall be considered and paid as an operation and maintenance expense of the Borrower. In the event of property loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged; any remainder shall be subject to application by the Borrower to a Borrower costs contingency fund for use upon Project Costs or, upon completion of the Project, for the payment of the Series 2025 Note.

In accordance with USDA regulations, fidelity bond coverage or employee dishonesty insurance coverage is required for all persons having access to funds contemplated by this Agreement. Coverage may be provided for all individual positions or persons or otherwise provided through "blanket" coverage providing protection for all appropriate employees and/or officials. Pursuant to the Letter of Conditions, the amount of the fidelity bond coverage shall be at least equal to the estimated total annual debt service requirements for the USDA Direct Loans outstanding from time to time, provided that a different amount may be determined by USDA.

Section 5.25. Borrower's Covenants Regarding USDA Permanent Financing; Mandatory Prepayment. The Borrower shall apply the proceeds of the Series 2025 Note and amounts in the Construction Fund solely to pay Costs of Issuance not otherwise paid by legally available Borrower Funds and to the payment or reimbursement of Project Costs which are eligible to be financed by the USDA Permanent Financing (including the payment of temporary obligations issued for such purpose). The Borrower shall apply the USDA Direct Loan Proceeds to the repayment the principal component of the Series 2025 Note upon maturity. The Borrower additionally represents and warrants that it has (a) received all approvals of USDA required as of the Effective Date in connection with the acquisition and installation of the Project, and (b) received the Letter of Conditions, which provides that the USDA Grant is to be funded during the construction of the Project and the USDA Direct Loans are to be made upon completion of construction of the Project, which is expected on or before the Maturity Date if the conditions of the Letter of Conditions are met.

The Borrower shall perform the terms and conditions of the Letter of Conditions in a timely manner.

The Borrower will not unilaterally terminate, or enter into any agreement to terminate, the Letter of Conditions, and will give to the Lender prompt written notice, appropriately documented, of any amendment to or modification of the Letter of Conditions, or of any determination by USDA of the Borrower's inability to satisfy the conditions set forth in the Letter of Conditions.

The Borrower shall prepay the Series 2025 Note immediately: (i) upon the receipt of USDA Direct Loan Proceeds or, if earlier, (ii) if and when the interest rate applicable to the Series 2025 Note shall exceed the maximum rate of interest permitted under C.R.S. Section 5-12-103. Full repayment under this provision will evidence the Borrower's request for cancellation of the Commitment. Unless otherwise agreed, all prepayment whether voluntary or mandatory will be applied to principal installments in the inverse order of their maturity.

Section 5.26. Maintenance and Modifications of the Project. The Borrower agrees that during the term of this Agreement the Project shall be constructed, operated and maintained, in compliance with all governmental laws, building codes, ordinances, and regulations and zoning laws as shall be applicable to the Project, unless the same are being contested in good faith by appropriate proceedings which operate to stay any action to foreclose or otherwise realize on any property of the Borrower. The Borrower agrees that during the term of this Agreement it will at its own expense (a) keep the System in a safe condition required by law and (b) except to the extent the Borrower has determined that any portion of the Project is obsolete or not useful in its operations, keep the Project in good repair and in good operating condition, making from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof all of which shall be accomplished in a workmanlike manner in accordance with all applicable laws. The Borrower may also, at its own expense, make from time to time any additions, modifications or improvements to the System (including modifications to the System, if any) it may deem desirable for its purposes that do not substantially reduce its value; provided that all such additions, modifications and improvements made by the Borrower which are affixed to the System facilities shall become a part of the System. The Borrower will not permit the removal of any personal property from the System unless such personal property is obsolete, sold for fair market value or will be replaced with personal property of an equal or greater value. The Borrower will not permit any liens, security interests or other encumbrances to be established or to remain against the Project for labor or materials furnished in connection with the Project or any additions, modifications, improvements, repairs, renewals or replacements made by it to the Project; provided that if the Borrower first notifies the Lender of its intention to do so, the Borrower may, so long as no Event of Default has occurred and is continuing, diligently prosecute, in good faith, at its own expense, a contest of any liens filed or established against the Project and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Project or any part thereof will be subject to loss or forfeiture, in which event the Borrower shall promptly pay and cause to be satisfied and discharged all such unpaid items. In the event that the Borrower shall fail to pay any of the expenses required by this Section to be paid by the Borrower, the Lender may (but shall be under no obligation to) pay the same, and any amounts so advanced therefor by the Lender shall become an additional obligation of the Borrower under this Agreement to the one making the advance, which amount the Borrower agrees to pay on demand together with interest thereon at a rate which shall be three percent (3%) per annum above the highest rate of interest borne by the Series 2025 Note or the maximum rate permitted by law if less than such rate. In the event that the Lender makes any such advance which may result in additional obligations under this Section 5.26, it shall promptly notify the Borrower and USDA.

Section 5.27. Reporting Requirements. The Borrower shall provide the Lender:

(a) as soon as available, but in no event more than 270 days after the end of each Fiscal Year of the Borrower occurring during the term hereof, annual financial statements of the Borrower, prepared in reasonable detail and in a manner acceptable to Lender;

(b) copies of the Borrower's quarterly, unaudited financial statements, certified by the Finance Director of the Borrower;

(c) such interim financial statements as Lender may request from time to time prepared in reasonable detail acceptable to Lender and, if required by written notice from Lender, certified by an authorized officer or employee of the Borrower acceptable to Lender; and

(d) promptly after any occurrence, notice of an Event of Default or the commencement of any material litigation.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES OF REGISTERED OWNER

Section 6.01. Extension of Payment. In case the time for the payment of the principal of or the interest on the Series 2025 Note shall be extended, whether or not such extension be by or with the consent of the Borrower, in the case of a subsequent default hereunder, such extended principal or interest shall not be entitled to the benefit or security of this Agreement except on the same basis as the principal and interest of the Series 2025 Note then outstanding, the time for the payment of which shall not have been extended.

Section 6.02. Events of Default. Each of the following events is hereby declared an "Event of Default":

(a) payment of any installment of interest payable on any of the Series 2025 Note shall not be made when the same shall become due and payable either at maturity, by proceedings for prepayment, through failure to make any payment to any fund hereunder or otherwise; or

(b) payment of the principal payable on any of the Series 2025 Note shall not be made when the same shall become due and payable, either at maturity, by proceedings for prepayment, through failure to make any payment to any fund hereunder or otherwise; or

(c) the Borrower shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Series 2025 Note, in this Agreement or any agreement supplemental hereto to be performed on the part of the Borrower, as the case may be (other than defaults specified in (a) or (b) above), and such default shall continue for the period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Borrower by the Lender at its discretion; provided however, if such default can be cured but cannot be cured within such thirty (30) days, it shall not constitute a default hereunder if the Borrower

takes action to cure such default within such thirty (30) days and diligently pursues such action until such default is cured; or

(d) if the Borrower shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against the Borrower, or shall file a petition or answer or consent seeking reorganization or arrangement under the Federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Borrower or its properties, or shall make assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due.

Section 6.03. Remedies; Rights of Owner. Upon the occurrence of any Event of Default, the Owners may proceed in law or in equity by suit, action or mandamus to enforce and compel performance of the duties set forth in this Agreement. In addition, upon the occurrence and during the continuance of an Event of Default (or any event or circumstance which, with the passing of time or the giving of notice or both, could become an Event of Default), the Lender will have no obligation to make any further Advances or otherwise extend or continue to extend credit to the Borrower and may discontinue doing so at any time without prior notice or other limitation. Further, upon the occurrence and during the continuance of any Event of Default, the Lender may, upon notice to the Borrower, terminate any commitment, declare the unpaid principal balance of the Obligations and all accrued interest thereon and other amounts payable under the Loan Documents to be immediately due and payable (only to the extent permitted by law), and exercise all other rights and remedies legally available to the Lender.

No remedy by the terms of this Agreement conferred upon or reserved to the Lender (or to any Owners of the Series 2025 Note) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Lender or to any Owner of the Series 2025 Note hereunder now or hereafter existing at law or in equity or by statute. No punitive or consequential damages shall be awarded as a remedy, and no waiver of the provisions of the Colorado Governmental Immunity Act shall be inferred from the provisions of this Agreement or any of the transactions contemplated hereby.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default, or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default, hereunder, whether by the Lender or by any Owners of the Series 2025 Note, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 6.04. Direction of Proceedings by Owner. Except as otherwise provided in this Agreement, the Owner or Owners of 75% in aggregate principal amount of the Series 2025 Note then outstanding shall have the right, at any time, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this

Agreement; provided, that such direction shall not be otherwise than in accordance with the provisions of law and of this Agreement.

Section 6.05. Application of Money. Any money collected by the Owners pursuant to this Agreement shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Owners, be applied in the following order, at the date or dates fixed by the Owners and, in case of the distribution of such money on account of principal or interest, upon surrender thereof if fully paid:

FIRST: in case the principal of the Series 2025 Note shall not have become due, to the payment of interest on the Series 2025 Note, in the order of the maturity of the installments of such interest, with interest, to the extent that such interest has been collected by the Lender, upon the overdue installments of interest at the rate borne by the Series 2025 Note, such payments to be made ratably to the Persons entitled thereto, without discrimination or preference;

SECOND: to the payment of the amount then owing and unpaid upon the Series 2025 Note for principal and interest, with interest on the overdue principal and, to the extent that such interest has been collected by the Lender, upon overdue installments of interest at the rate borne by the Series 2025 Note; and in case such moneys shall be insufficient to pay in full the amount so due and unpaid upon the Series 2025 Note, then to the payment of such principal and interest, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series 2025 Note over any other Series 2025 Note, ratably to the aggregate of such principal and accrued and unpaid interest;

THIRD: to the payment of all other amounts due the Owners; and

FOURTH: the remainder, if any, shall be paid to the Borrower, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Section 6.06. Remedies Vested in Lender. All rights of action including the right to file proof of claims under this Agreement or under the Series 2025 Note may be enforced by the Lender or the Owners without the possession of the Series 2025 Note or the production thereof in any trial or other proceedings relating thereto and any recovery of judgment shall be for the equal benefit of the Owner or Owners of the outstanding Series 2025 Note.

Section 6.07. Termination of Proceedings. In case the Owners shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Owners, then and in every case the Owners and the Borrower shall, subject to any determination in such proceeding, be restored to their former positions and rights hereunder with respect to the property pledged and assigned hereunder, and all rights, remedies and powers of the Owners shall continue as if no such proceedings had been taken.

Section 6.08. Waiver of Events of Default. The Owners may in their discretion waive any Event of Default hereunder and its consequences and rescind any declaration of maturity of principal; provided, however, that there shall not be waived (i) any Event of Default in the payment of the principal of the outstanding Series 2025 Note when due whether by mandatory redemption through the Note Sinking Fund or at the dates of maturity specified therein or (ii) any default in the payment when due of the interest on the Series 2025 Note, except where such payment is waived by the Owner or unless prior to such waiver or rescission all arrears of interest, with interest thereon (to the extent permitted by law) at the rate borne by the Series 2025 Note in respect of which such default shall have occurred on overdue installments of interest or all arrears of payments of principal when due, as the case may be, and all expenses of the Lender and any paying agent in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission or in case any proceeding taken by the Lender on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Borrower and the Owner shall, subject to any determination in such proceeding, be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 6.09. Payment of Series 2025 Note from Additional Sources. At its sole discretion, the Borrower may appropriate to the payment of the Series 2025 Note proceeds to be received from state or federal grants and/or income or revenues from sources to be received and expended for the Project during the period of Project construction and acquisition, including but not limited to, the legally available revenues of the Borrower.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Liability of Borrower Limited. Subject to the limited sources of payment hereinafter referred to, the Borrower covenants that it will promptly pay the principal of, premium, if any, and interest on the Series 2025 Note issued pursuant to this Agreement at the place, on the dates and in the manner provided herein and in the Series 2025 Note according to the true intent and meaning thereof.

Section 7.02. Successor is Deemed Included in all References to Predecessor. Whenever in this Agreement either the Borrower or the Lender is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Agreement contained by or on behalf of the Borrower and the Lender shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 7.03. Limitation of Rights to Parties and Owner. Nothing in this Agreement or in the Series 2025 Note expressed or implied is intended or shall be construed to give to any person other than the Borrower, the Lender, as the Owner of the Series 2025 Note, any legal or equitable right, remedy or claim under or in respect of this Agreement or any covenant, condition or provision therein or herein contained, and, except as otherwise expressly stated herein, all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Borrower and the Owners of the Series 2025 Note.

Section 7.04. Waiver of Notice. Except as otherwise provided herein, whenever in this Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 7.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Agreement or in the Series 2025 Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, and this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 7.06. Notices. Any notice to or demand upon the following parties shall be given by electronic means, by certified mail, return receipt requested, or delivered as follows:

If to the Borrower: Town of Palisade
175 East 3rd Street
P.O Box 128
Palisade, CO 81526
Telephone: (970) 464-5602
Attention: [Town Manager

If to the Lender: CoBank, ACB

For general correspondence purposes:
P.O. Box 5110
Denver, Colorado 80217-5110

For direct delivery purposes, when desired:
6340 South Fiddlers Green Circle
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services

If to USDA: United States Department of Agriculture, Rural Utilities
Service
Colorado State – Denver Federal Center
P.O. Box 25426
Denver, CO 80225
Telephone: (____) ____ - ____
Attention: Community Programs Specialist

Section 7.07. Evidence of Rights of Owner. Any request, consent or other instrument required or permitted by this Agreement to be signed and executed by an Owner shall be signed or executed by such Owner in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of the Series 2025 Note transferable by delivery, shall be sufficient for any purpose of this Agreement and shall be conclusive in favor of the Lender or the Borrower if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent, or other instrument or writing of the Owner shall bind every future Owner of the same Series 2025 Note and the Owner of every Series 2025 Note issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Lender or the Borrower in accordance therewith or reliance thereon.

Section 7.08. Funds and Accounts. Any fund or Account required by this Agreement to be established and maintained by the Borrower may be established and maintained in the accounting records of the Borrower either as a fund or an Account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an Account; but all such records with respect to all such funds and Accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and for the protection of the security of the Series 2025 Note and the rights of every Owner thereof.

Section 7.09. Waiver of Personal Liability. No member, officer, agent or employee of the Borrower shall be individually or personally liable for the payment of the principal of or interest on the Series 2025 Note or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

Section 7.10. Applicable Provisions of Law. This Agreement shall be governed by and construed in accordance with the laws of the State without regard to choice of law analysis. Jurisdiction and venue shall lie in the District Court for Mesa County, Colorado.

Section 7.11. No Sovereign Immunity. The Borrower hereby represents that it does not possess and will not invoke a claim of sovereign immunity for disputes arising out of contractual claims relating to the Series 2025 Note or this Agreement.

Section 7.12. Successors and Assigns. This Agreement shall be binding upon the parties hereto and their respective permitted successors and assigns and shall inure to the benefit of the parties hereto and their permitted successors and assigns. Neither the Borrower's rights or obligations hereunder nor any interest therein may be assigned or delegated by the Borrower without the prior written consent of the Lender. The Lender may assign its rights, obligations and

interests hereunder only to a Qualified Institutional Buyer or Accredited Investor that executes and delivers to the Borrower a Lender Letter in substantially the form set forth in Exhibit C hereto. Any assignment pursuant to this Section 7.12 shall be in accordance with the procedures established by Section 4 of the Note Ordinance.

Section 7.13. Participations. The Lender shall have the right to grant participations in all or a portion of its interest in the Series 2025 Note and this Agreement to one or more Qualified Institutional Buyers pursuant to a Participation Agreement; provided, however, that (i) no such participation by any such participant shall in any way affect the obligations of the Lender hereunder and (ii) the Borrower shall be required to deal only with the Lender, with respect to any matters under this Agreement and the Series 2025 Note and no such Participant shall be entitled to enforce any provision hereunder against the Borrower. The Lender shall maintain a registry of all participations hereunder, which together with the Participation Agreement shall be provided to the Borrower at any time upon reasonable request.

In addition to the rights of the Lender set forth above, the Lender may at any time pledge or grant a security interest in all or any portion of its rights or interests hereunder and under the, this Agreement and/or the Loan Documents to secure obligations of the Lender or an Affiliate of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or to any state or local governmental entity or with respect to public deposits; provided that no such pledge or assignment shall release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

Section 7.14. Effectiveness. This Agreement shall be effective on the Effective Date.

Section 7.15. Termination. This Agreement shall terminate upon payment in full by the Borrower of the Loan.

Section 7.16. Electronic Execution of Assignments; Electronic Records. The words “execution,” “signed,” “signature,” and words of like import in any assignment and assumption agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, or any other state laws based on the Uniform Electronic Transactions Act. The Lender is authorized to create electronic images and to destroy paper originals of any imaged documents and any such images maintained by the Lender as a part of its normal business processes shall be given the same legal effect as the paper originals. The Lender is authorized, when appropriate, to convert any instrument into a “transferable record” under the Uniform Electronic Transactions Act (“UETA”), with the image of such instrument in the Lender’s possession constituting an “authoritative copy” under UETA.

Section 7.17. Survival of Representations and Warranties. All representations and warranties made hereunder and in any other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Lender, regardless of any investigation made by the Lender or on its behalf and notwithstanding that the Lender may have

had notice or knowledge of any Event of Default at the time of entering into this Agreement, and shall continue in full force and effect as long as any Obligation hereunder shall remain unpaid or unsatisfied.

Section 7.18. USA PATRIOT Act Notification. The following notification is provided to the Borrower pursuant to Section 326 of the PATRIOT Act:

The Lender hereby notifies the Borrower that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Lender to identify the Borrower in accordance with the PATRIOT Act

Section 7.19. No Fiduciary Relationship. Inasmuch as the Loan represents a negotiated transaction, the Borrower understands, and hereby confirms, that the Lender is not acting as a fiduciary of the Borrower, but rather is acting solely for its own account. The Borrower acknowledges and agrees that, in connection with the execution and delivery of the Agreement: (a) the transactions contemplated by this Agreement are arm's length commercial transactions between the Borrower and the Lender, (b) in connection with such transactions, the Lender and its affiliates are acting solely as a principal and not as an advisor (including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules")), (c) the Lender and its affiliates are relying on the lender exemption in the Municipal Advisor Rules, (d) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the Borrower with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided other services or advised, or is currently providing other services or advising the Borrower on other matters), (e) the Lender and its affiliates have financial and other interests that differ from those of the Borrower, and (f) the Borrower has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

Section 7.20. Legal Fees. In consideration of the foregoing, the Borrower agrees to pay to Lender on the execution hereof the amount of \$5,000 to pay the Lender's legal fees in connection herewith.

Section 7.21. Amendment of Agreement. This Agreement may not be amended without the prior written consent of the Lender.

Section 7.22. Execution in Several Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the Borrower and the Lender shall preserve undestroyed, shall together constitute but one and the same instrument.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the Borrower and the Lender have caused this Agreement to be duly executed and attested, all as of the day and year first above written.

[SEAL]

TOWN OF PALISADE, COLORADO, acting
by and through its Utility Enterprise

By _____
Mayor

Attested:

By _____
Town Clerk

COBANK, ACB, as Lender

By _____
Authorized Representative

EXHIBIT A

FORM OF SERIES 2025 NOTE

THIS SERIES 2025 NOTE WAS ISSUED AS AN EXEMPT SECURITY OR IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE COLORADO MUNICIPAL BOND SUPERVISION ACT. UNDER NO CIRCUMSTANCES SHALL THIS SERIES 2025 NOTE BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DISPOSED OF EXCEPT IN THE MANNER PROVIDED IN SECTION 7.12 OF THE AGREEMENT AND SECTION 4 OF THE NOTE ORDINANCE PURSUANT TO WHICH IT WAS ISSUED AND IN COMPLIANCE WITH APPLICABLE STATE AND FEDERAL SECURITIES LAWS. ANY TRANSFER OR PURPORTED TRANSFER IN VIOLATION OF SUCH SECTIONS OR SUCH LAWS SHALL BE VOID AND OF NO EFFECT.

**UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTY OF MESA
TOWN OF PALISADE**

**CONSTRUCTION LOAN NOTE
SERIES 2025**

NO. R-1

\$16,495,000

Interest Rate

Variable

Final Principal Payment Date

_____, 20__

Dated Date

_____, 2025

REGISTERED HOLDER: ****COBANK, ACB****

PRINCIPAL SUM: ****NOT TO EXCEED TWENTY-TWO MILLION ONE HUNDRED FORTY-FIVE THOUSAND DOLLARS AND NO CENTS****

The Town of Palisade, Colorado, acting by and through its Utility Enterprise (the “Borrower”), for value received, hereby promises to pay in lawful money of the United States of America to the registered owner specified above (the “Lender”) or registered assigns, on the final principal payment date specified above (the “Maturity Date”), unless the maturity of this Series 2025 Note is extended by the Lender or unless this Series 2025 Note shall be prepaid and payment of the prepayment price made or provided for, but solely from the sources hereinafter identified, the principal sum specified above (or so much thereof as has been advanced by the Lender (the “Principal Balance”)) and to pay interest on such Principal Balance in like manner, but solely from the sources hereinafter identified, at the interest rate equal to the [Daily Simple SOFR] or, as applicable, any Benchmark Replacement (as each term is defined in the Agreement defined hereafter) payable on each Payment Date. As used herein, the term “Payment Date” means (a) the monthly payment dates on which the interest on the Series 2025 Note shall be due and payable in

arrears, commencing [_____] 20, 2025 and the 20th day of each month thereafter through and including the Maturity Date (or earlier, if the Series 2025 Note shall be prepaid pursuant to the terms of the Agreement) and (b) the Maturity Date and any other date on which the principal of the Series 2025 Note or any portion thereof is required to be repaid or prepaid under the terms of the Agreement. This Series 2025 Note shall bear interest at the interest rate set forth above, calculated on the actual number of days this Series 2025 Note is outstanding on the basis of a year consisting of 360 days, through and including the Maturity Date. The Maturity Date may (at the sole discretion of the Lender) be extended as provided in the Agreement (as defined hereinafter).

Interest payments hereon shall be made to the registered owners hereof appearing on the registration books of the Borrower maintained by the Board Administrator of the Borrower as note registrar (the “Note Registrar”) by check or draft or at the request of the registered owner, wire transfer (or automated clearinghouse as required under the Agreement) to a bank account number maintained by such registered owner in the United States of America and designated in written instructions given to the Note Registrar at least fifteen (15) days prior to a Payment Date.

This Series 2025 Note is issued by the Borrower in anticipation of the receipt of USDA Direct Loans and a USDA Grant to be received by the Borrower (collectively, the “USDA Permanent Financing”) and in conformity with an ordinance of the Borrower (the “Note Ordinance”) and a Construction Loan Agreement dated as of [_____] 2025 (the “Agreement”), by and between the Borrower and the Lender, and reference is hereby made to the Note Ordinance and the Agreement for a more complete statement as to the source of payment of the Series 2025 Note and the rights of the Lender as Owner of the Series 2025 Note. The proceeds of the Series 2025 Note will be used to finance the Project described in the Note Ordinance.

The Series 2025 Note is a limited obligation of the Borrower payable solely from the future USDA Direct Loan Proceeds, the Net Revenues and any other legally available moneys of the Borrower authorized for such use under the Agreement. The Series 2025 Note and the interest thereon are not payable in any manner by taxation and do not constitute a general obligation of the Borrower.

Reference is hereby made to the Agreement for a description of the rights, duties and obligations of the Borrower, the Lender, the Owner of the Series 2025 Note, the terms upon which the Series 2025 Note is sold and the terms and conditions upon which the Series 2025 Note will be paid at or prior to maturity, or will be deemed to be paid upon the making of provision for payment. Any capitalized term used in this Series 2025 Note but not defined in this Series 2025 Note is used with the meaning set forth in the Agreement.

This Series 2025 Note may only be transferred or exchanged at the principal office of the Note Registrar and only as provided in the Note Ordinance and the Agreement. The transferring Owner shall pay any reasonable costs of the Borrower incurred in connection with the transfer of this Series 2025 Note. This Series 2025 Note shall not be valid or become obligatory for any purpose or be entitled to the security or benefit of the Note Ordinance until the certificate of authentication hereon shall have been signed by the Note Registrar.

This Series 2025 Note is issued pursuant to the Supplemental Public Securities Act, Part 2 of Article 57, Title 11, C.R.S., and such recital shall be conclusive evidence of the validity and the regularity of issuance of this Series 2025 Note after its delivery for value.

And it is hereby certified and recited that all acts, conditions and things required by the laws and Constitution of the State of Colorado, to exist, to be done or to be performed precedent to the lawful issue of this Series 2025 Note do exist and have been done and performed in regular and due form, time and manner.

IN WITNESS WHEREOF, the Town of Palisade, Colorado, acting by and through its Utility Enterprise, has caused this Series 2025 Note to be executed with the duly authorized facsimile or manual signature of its Mayor, all as of the Dated Date set out above.

**TOWN OF PALISADE, COLORADO, acting by and
through its Utility Enterprise**

Mayor

(SEAL)
Attest:

Town Clerk

CERTIFICATE OF AUTHENTICATION

This is the Series 2025 Note delivered pursuant to the Note Ordinance mentioned within.

Date of Authentication: _____, 2025

**FINANCE DIRECTOR, TOWN OF
PALISADE, COLORADO**, as Note Registrar

By: _____
Finance Director

The following abbreviations, when used in the inscription on the face of this Series 2025 Note, shall be construed as though they were written out in full according to applicable laws or regulations: TEN COM - as tenants in common, TEN ENT - as tenants by the entireties, .IT TEN - as joint tenants with right of survivorship and not as tenants in common.

UNIF TRANS MIN ACT

Under Uniform Transfers to Minors Act

(CUST)

Custodian

(MINOR)

(STATE)

Additional abbreviations may also be used though not in the above list.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto the within Series 2025 Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney to transfer the within Series 2025 Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Series 2025 Note in every particular, without alteration or any change whatever.

Signature guaranteed: _____

Signature(s) must be guaranteed by a member of the Medallion Signature Program.

**PLEASE INSERT SOCIAL SECURITY NUMBER OR OTHER IDENTIFYING
NUMBER OF ASSIGNEE** _____

EXHIBIT B

FORM OF REQUISITION

Town of Palisade, Colorado,
acting by and through its
Utility Enterprise
in Mesa County, Colorado
Requisition No. ____

CoBank, ACB
6340 South Fiddlers Green Circle
Greenwood Village, CO 80111
Attention: _____

The undersigned Town of Palisade, Colorado, acting by and through its Utility Enterprise (the “Borrower”), pursuant to a Construction Loan Agreement dated as of [____], 2025 (the “Agreement”) between the Borrower and CoBank, ACB, as lender thereunder (the “Lender”), hereby requisitions the following sum from the Construction Fund established under the Agreement, and in connection with such request, certifies and warrants as follows:

Total Requisition Amount: \$ _____

Name and Address of Payee: _____

The sum of \$ _____ by wire transfer to:

Account Name: _____
Bank Name: _____
Address _____

ABA No.: _____

Account Number: _____

Reference: _____

Name and Address of Payee: _____

The sum of \$ _____ by wire transfer to:

Account Name: _____
Bank Name: _____
Address _____

ABA No.: _____

Account Number: _____

Reference: _____

The Borrower further certifies and warrants that (a) the obligation described above has been properly incurred, is a proper charge against the Construction Fund and has not been the basis of any previous withdrawal or requisition; (b) all conditions required by the Agreement to be met prior to the disbursement of the above amount have been satisfied; (c) the disbursement requested is due and payable and will be used for "Project Costs" permitted under the Agreement; (d) each item for which this payment or reimbursement is proposed to be made is or was reasonable and necessary in connection with the design, planning, acquisition, construction, improvement or equipping of the Project; and (e) the requirements of all applicable contracts related hereto with respect to lien waivers for work on the Project have been met.

The Borrower has attached hereto a copy of each Payee's Form W-9 or Form W-8, as applicable (unless previously provided). The Borrower further acknowledges the Lender cannot process such disbursement request until the Lender is in receipt of a valid Form W-9 or Form W-8, as applicable, in accordance with Internal Revenue Service regulations and the Foreign Account Tax Compliance Act.

TOWN OF PALISADE, COLORADO, acting by and
through its Utility Enterprise

Date:

By:

Authorized Officer

Attach: Invoice supporting payment

Acceptance and Acknowledgement:

UNITED STATES DEPARTMENT OF
AGRICULTURE-RURAL UTILITIES SERVICE*

Date:

By:

Authorized Officer

COBANK, ACB

Date:

By:

Authorized Officer

*The review and acceptance by Lender or USDA of this Requisition does not attest to the correctness of the quantities or amounts shown or that the work has been performed in accordance with construction contract documents.

EXHIBIT C
FORM OF LENDER LETTER

[____ _], 2025

Town of Palisade, Colorado
Mesa County

Re: \$16,495,000 Town of Palisade, Colorado, acting by and through its Utility Enterprise (the “Town”), Construction Loan Note, Series 2025 (the “Obligation”)

Ladies and Gentlemen:

In connection with that certain financing (the “Loan”) by CoBank, ACB (the “Lender”) evidenced by the Lender’s acquisition of the above-referenced Obligation, the Lender hereby states:

1. The Lender has knowledge and experience in financial and business matters relating to the Loan and the Obligation and is capable of evaluating the merits and risks of the Loan and the Obligation and is able to bear the economic risks thereof.

2. The Lender has made such investigation of the financial information provided by the Town as the Lender, in the exercise of its business judgment, considers appropriate under the circumstances. In making its decision to acquire the Obligation, the Lender has relied on the accuracy and completeness of information provided by the Town. The Lender has not required the Town to deliver any offering document in connection with the issuance of the Obligation.

3. The Lender is aware that investment in the Obligation involves various risks, that the Obligation is not a general obligation of the Town, and that payment of the Obligation is secured only from the sources described in the ordinance of the Town authorizing the Obligation (the “Authorizing Measure”), the Construction Loan Agreement between the Town and the Lender (the “Agreement”), and related loan documents identified in the Authorizing Measure and the Agreement.

4. Neither the Lender nor any of its affiliates is acting as a fiduciary for the Town or in the capacity of broker, dealer, underwriter, or municipal advisor with respect to the Loan or the Obligation. Neither the Lender nor any of its affiliates has provided or will provide any financial, legal, tax, accounting or other advice to the Town with respect to the Loan or the Obligation; it being understood that the Town has sought and obtained and will obtain such advice (including as it relates to structure, timing, terms, and similar matters) with respect to the Loan and the Obligation from its own advisors (and not the Lender or any of its affiliates) to the extent that the Town desired or desires to obtain such advice.

5. The Lender acknowledges that the Authorizing Measure is not being qualified under the Trust Indenture Act of 1939, as amended, and the Obligation is not being registered in reliance upon the exemption from registration under Section 3(a)(2) of the Securities Act of 1933, as amended, and that neither the Town nor Bond Counsel shall have any obligation to effect any such registration or qualification.

6. The Lender is not acting as a broker or other intermediary and is making the Loan and acquiring the Obligation as an investment for its own account and not with a present view to a resale or other distribution to the public. The Lender understands that the Obligation may not be transferred except in compliance with applicable federal and state laws.

7. The Lender is an “accredited investor” within the meaning of the Securities Act of 1933, as amended, and Regulation D thereunder.

COBANK, ACB, as Lender

By _____
Authorized Representative

LOAN RESOLUTION
(Public Bodies)

A RESOLUTION OF THE _____

OF THE _____
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A
PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the _____

(Public Body)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

pursuant to the provisions of _____; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture,
(herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921
et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event
that no other acceptable purchaser for such bonds is found by the Association:**NOW THEREFORE**, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0121. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ _____

under the terms offered by the Government; that the _____

and _____ of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas _____ Nays _____ Absent _____

IN WITNESS WHEREOF, the _____ of the

_____ has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this _____, _____ day of _____

(SEAL)

By _____

Attest:

Title _____

Title _____

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____
hereby certify that the _____ of such Association is composed of
_____ members, of whom , _____ constituting a quorum, were present at a meeting thereof duly called and
held on the _____ day of _____ ; and that the foregoing resolution was adopted at such meeting
by the vote shown above, I further certify that as of _____ ,
the date of closing of the loan from the United States Department of Agriculture, said resolution remains in effect and has not been
rescinded or amended in any way.

Dated, this _____ day of _____

Title _____