

BORROWER TOWN OF DILLON, ACTING BY AND  
THROUGH ITS WATER ACTIVITY ENTERPRISE  
Contract No. C150295  
Project Amount \$1,500,000  
Loan Service Fee \$15,000  
Loan Amount \$1,515,000

Agency Name: Water Conservation Board  
Agency Number PDA  
Routing Number 10 PDA \_\_\_\_\_

## LOAN CONTRACT

(STANDARD CONTRACT – WAIVER #160 – APPROVED NOVEMBER 10, 2003)

THIS CONTRACT, made this July 15, 2009, by and between the State of Colorado for the use and benefit of the Department of Natural Resources, Colorado Water Conservation Board ("CWCB" or "STATE"), and the Town of Dillon, acting by and through its Water Activity Enterprise, 275 Lake Dillon Drive, Dillon, CO 80435 ("BORROWER").

### FACTUAL RECITALS

1. Authority exists in the law, and funds have been budgeted, appropriated and otherwise made available and a sufficient unencumbered balance thereof remains available for encumbering and subsequent payment of this contract under: Contract Encumbrance No. C150295, Fund Number 424, Appropriation Code MC9, Organization YYYY, GBL D295, Program WTRC, Object Code 5510, Reporting Category 0295.
2. Required approval, clearance, and coordination have been accomplished from and with appropriate agencies.
3. The **PROJECT Summary**, attached as **Appendix 1** and incorporated herein, contains BORROWER Information (Section 1), the PROJECT Description (Section 2), CWCB's authority for making this loan (Section 3), and CWCB Approval and Legislative Authorization which identifies the amount of the loan and the terms of repayment (Section 4).
4. The CWCB now desires, by this contract, to loan money to the BORROWER for this PROJECT upon mutually agreeable terms and conditions.

THEREFORE, in consideration of the mutual and dependent covenants contained herein, the parties agree as follows:

#### A. LOAN PROVISIONS

1. **Loan Service Fee.** The amount of the loan (LOAN AMOUNT) shall include (1) the amount of the funds loaned by the CWCB to the BORROWER for the PROJECT and (2) a service fee of one percent (1%) of the PROJECT amount. In the event that the BORROWER does not use the LOAN AMOUNT authorized, the parties shall amend this contract to revise the LOAN AMOUNT including adjustment of the service fee to reflect 1% of the actual LOAN AMOUNT disbursed to the BORROWER.

2. **Contract Amendment Service Fees.** Under certain circumstances, the BORROWER shall be assessed a fee for amending the contract.
  - a. A service fee shall be imposed on the BORROWER for amendments processed for the benefit of the BORROWER and necessary for the BORROWER'S course of business but not necessary for the CWCB, including, but not limited to, a change in borrower name (novation), assignment of contract, substitution of collateral, loan payment deferments in excess of 3 per loan, and loan consolidation. Amendments in the course of CWCB business, including, but not limited to, loan payment deferments (up to 3 per loan), and changes in terms of loan repayment will be processed at no additional charge to the BORROWER.
  - b. The amount charged shall be in accordance with the fee rate structure set forth in the CWCB Loan Service Charge Policy in effect at the time the BORROWER shall request an amendment. The current fee for an amendment is \$1,000.
  - c. The BORROWER shall remit the service fee to the CWCB prior to initiation of the amendment. Any service fee remitted to the CWCB cannot be refunded.
3. **Promissory Note Provisions.** The CWCB agrees to loan to the BORROWER an amount not to exceed the LOAN AMOUNT and the BORROWER agrees to repay the loan in accordance with the terms as set forth in the Promissory Note, attached hereto as **Appendix 2** and incorporated herein. The Promissory Note shall identify the LOAN AMOUNT. If the amount of loan funds disbursed by the CWCB to the BORROWER differs from the LOAN AMOUNT, the parties agree to amend this contract, including its appendices where necessary, to revise the LOAN AMOUNT.
4. **Interest Prior to PROJECT Completion.** As the loan funds are disbursed by the CWCB to the BORROWER, interest shall accrue at the rate set by the CWCB for this loan. The CWCB shall calculate the amount of the interest that accrued prior to PROJECT'S substantial completion (as determined by the CWCB) and notify BORROWER of such amount. The BORROWER shall repay that amount to the CWCB either within ten (10) days from the date of notification from the CWCB, or, at the CWCB's discretion, said interest shall be deducted from the final disbursement of loan funds that the CWCB makes to the BORROWER.
5. **Return of Unused Loan Funds.** Any loan funds disbursed but not expended for the PROJECT in accordance with the terms of this contract shall be remitted to the CWCB within 30 calendar days from notification from the CWCB of either (1) completion of the PROJECT or (2) determination by the CWCB that the PROJECT will not be completed.
6. **BORROWER's Authority To Contract.** The BORROWER warrants that it has full power and authority to enter into this contract. The execution and delivery of this contract and the performance and observation of its terms, conditions and obligations have been duly authorized by all necessary actions of the BORROWER. The BORROWER'S authorizing resolution(s) or ordinance(s) are attached as **Appendix 3** and incorporated herein.

7. **Attorney's Opinion Letter.** Prior to the execution of this contract by the CWCB, the BORROWER shall submit to the CWCB a letter from its bond counsel stating that it is the attorney's opinion that
- a. the contract has been duly executed by officers of the BORROWER who are duly elected or appointed and are authorized to execute the contract and to bind the BORROWER;
  - b. the resolutions or ordinances of the BORROWER authorizing the execution and delivery of the contract were duly adopted by the governing bodies of the BORROWER;
  - c. there are no provisions in the Colorado Constitution or any other state or local law that prevent this contract from binding the BORROWER;
  - d. the contract will be valid and binding against the BORROWER if entered into by the CWCB;
8. **Pledge of revenues.** The BORROWER irrevocably pledges to the CWCB, for purposes of repayment of this loan, revenues levied for that purpose as authorized in Appendix 3 and any other funds legally available to the BORROWER, in an amount sufficient to pay the annual payment due under this contract ("Pledged Revenues"). Further, the BORROWER agrees to:
- a. **Segregation of Pledged Revenues.** The BORROWER shall set aside and keep the Pledged Revenues in an account separate from other BORROWER revenues, and warrants that these revenues will not be used for any other purpose.
  - b. **Establish Security Interest.** The BORROWER has duly executed a Security Agreement, attached hereto as **Appendix 4** and incorporated herein, to provide a security interest to the CWCB in the Pledged Revenues. The CWCB shall have priority over all other competing claims for said revenues, except for the liens of the BORROWER'S existing loans as listed in Section 5 (Schedule of Existing Debt), of the **Project Summary**, which sets forth the position of the lien created by this contract in relation to any existing lien(s).
  - c. **Rate Covenant.** Pursuant to its statutory authority and as permitted by law, the BORROWER shall take all necessary actions consistent therewith during the term of this contract to establish, levy and collect rates, charges and fees as described in Appendix 3, in amounts sufficient to pay this loan as required by the terms of this contract and the Promissory Note, to cover all expenditures for operation and maintenance and emergency repair services, and to maintain adequate debt service reserves, including obtaining voter approval, if necessary, of increases in the BORROWER'S rate schedule or taxes, if applicable.
  - d. **Debt Service Reserve Account.** To establish and maintain the debt service reserve account, the BORROWER shall deposit an amount equal to one-tenth of an annual payment into its debt service reserve fund on the due date of its first annual loan payment and annually thereafter for the first ten years of repayment of this loan. In the event that the BORROWER applies funds from this account to

repayment of the loan, the BORROWER shall replenish the account within ninety (90) days of withdrawal of the funds.

- e. **Additional Debts or Bonds.** The BORROWER shall not issue any indebtedness payable from the pledged revenues and having a lien thereon which is superior to the lien of this loan. The BORROWER may issue parity debt only with the prior written approval of the CWCB, provided that:

- i. The BORROWER is currently and at the time of the issuance of the parity debt in substantial compliance with all of the obligations of this contract, including, but not limited to, being current on the annual payments due under this contract and in the accumulation of all amounts then required to be accumulated in the BORROWER's debt service reserve fund;
- ii. The BORROWER provides to the CWCB a Parity Certificate from an independent certified public accountant certifying that, based on an analysis of the BORROWER's revenues, for 12 consecutive months out of the 18 months immediately preceding the date of issuance of such parity debt, the BORROWER's revenues are sufficient to pay its annual operating and maintenance expenses, annual debt service on all outstanding indebtedness having a lien on the pledged revenues, including this loan, the annual debt service on the proposed indebtedness to be issued, and all required deposits to any reserve funds required by this contract or by the lender(s) of any indebtedness having a lien on the pledged revenues. The analysis of revenues shall be based on the BORROWER's current rate structure or the rate structure most recently adopted. No more than 10% of total revenues may originate from tap and/or connection fees.

The BORROWER acknowledges and understands that any request for approval of the issuance of additional debt must be reviewed and approved by the CWCB Director prior to the issuance of any additional debt.

- f. **Annual Statement of Debt Coverage.** Each year during the term of this contract, the BORROWER shall submit to the CWCB an annual audit report and a certificate of debt service coverage from a Certified Public Accountant.
9. **Pledged Revenues During Loan Repayment.** The BORROWER shall not sell, convey, assign, grant, transfer, mortgage, pledge, encumber, or otherwise dispose of the Pledged Revenues, so long as any of the principal, accrued interest, and late charges, if any, on this loan remain unpaid, without the prior written concurrence of the CWCB.
10. **Release After Loan Is Repaid.** Upon complete repayment to the CWCB of the entire principal, all accrued interest, and late charges, if any, as specified in the Promissory Note, the CWCB agrees to release and terminate any and all of the CWCB's right, title, and interest in and to the Pledged Revenues.
11. **Warranties.**
- a. The BORROWER warrants that, by acceptance of the loan under this contract and by

its representations herein, the BORROWER shall be estopped from asserting for any reason that it is not authorized or obligated to repay the loan to the CWCB as required by this contract.

- b. The BORROWER warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the BORROWER, to solicit or secure this contract and has not paid or agreed to pay any person, company, corporation, individual, or firm, other than a bona fide employee, any fee, commission, percentage, gift, or other consideration contingent upon or resulting from the award or the making of this contract.
  - c. The BORROWER warrants that the Pledged Revenues and collateral for this loan are not encumbered by any other deeds of trust or liens of any party other than the CWCB or in any other manner, except for any existing lien(s) identified in Section 5 (Schedule of Existing Debt) of the **Project Summary**, which sets forth the position of the lien created by this contract in relation to any existing lien(s).
12. **Remedies For Default.** Upon default in the payments to be made by the BORROWER under this contract, or default in the performance of any covenant or agreement contained herein, the CWCB, at its option, may:
- a. suspend this contract and withhold further loan disbursements pending corrective action by the BORROWER, and if the BORROWER does not cure the default as provided for below, permanently cease loan disbursements and deem the PROJECT substantially complete;
  - b. exercise its rights under any appendices to this contract, including, but not limited to, the Promissory Note and Security Agreement; and/or
  - c. take any other appropriate action.

The CWCB shall provide written notice to the BORROWER of any such default and shall give the BORROWER an opportunity to cure within thirty (30) days of receipt of such notice. All remedies described herein may be simultaneously or selectively and successively enforced. The CWCB may enforce the provisions of this contract at its option without regard to prior waivers of previous defaults by the BORROWER, through judicial proceedings to require specific performance of this contract, or by such other proceedings in law or equity as may be deemed necessary by the CWCB to ensure compliance with provisions of this contract and the laws and regulations under which this contract is executed. The CWCB's exercise of any or all of the remedies described herein shall not relieve the BORROWER of any of its duties and obligations under this contract.

13. **OPERATION OF PROJECT.** The BORROWER shall, without expense or legal liability to the CWCB, manage, operate and maintain the PROJECT continuously in an efficient and economical manner.
14. **BORROWER'S Liability Insurance.**

- a. Because the BORROWER is a "public entity" within the meaning of the Colorado Governmental Immunity Act, CRS 24-10-101, et seq., as amended ("Act"), the BORROWER shall at all times maintain such liability insurance, by commercial policy or self-insurance as is necessary to meet its liabilities under the Act.
  - b. Prior to the disbursement of any loan funds, the BORROWER shall provide the CWCB with an Acord Form 25 or other form satisfactory to the CWCB evidencing said insurance and shall provide the CWCB with documentation of renewals of said insurance.
15. **Additional Contract Requirements.** Any additional contract requirements are set forth in Additional Contract Requirement (Section 6) of the **Project Summary**.

**B. PROJECT PROVISIONS**

1. **Construction Fund Program Procedures.** During the completion of the PROJECT, the BORROWER shall adhere to the CWCB Construction Fund Program Procedures (Section 7) of the **Project Summary**.
2. **Eligible Expenses.** The PROJECT expenses for which the BORROWER is eligible for loan disbursements are listed in Eligible Expenses (Section 8) of the **Project Summary**.
3. **Loan Disbursements.** The CWCB shall disburse loan funds in accordance with the Disbursement Schedule (Section 9) of the **Project Summary**.
4. **Time for Performance.** The BORROWER recognizes that time is of the essence in the performance of all of its obligations under this contract. Therefore, the BORROWER shall complete the PROJECT within the time specified in Time for Performance (Section 10) of the **Project Summary**.
5. **Indemnification By The Construction Firm.** The BORROWER shall require all Construction Firms and their subcontractors to indemnify the STATE and the BORROWER against all liability and loss, and against all claims and actions based upon or arising out of damage or injury, including death, to persons or property, caused by any acts or omissions of those parties or sustained in connection with the performance of any contract related to the PROJECT or by conditions created thereby, or based upon any violation of any statute, ordinance, or regulation, and the defense of any such claims or actions.
6. **Liability Insurance During Construction.** During construction of the PROJECT, the BORROWER shall require the construction firm(s) and any subcontractors to maintain the following insurance coverage in the limits shown during the term of their contracts for the construction of the PROJECT. The BORROWER shall provide the CWCB with an Acord Form 27 evidencing said insurance prior to commencement of construction, maintained until construction is complete, and shall provide the CWCB with documentation of renewals of said insurance. No payments shall be made to the BORROWER unless all insurance certificates are current.

- a. Builder's risk insurance for construction in progress for all perils of loss including fire, wind, hail, and vandalism in an amount equal to the completed value of the PROJECT.
- b. Worker's compensation and employer's liability insurance in the required statutory amounts.
- c. Automobile liability insurance that includes coverage for all owned, non-owned and hired vehicles with minimum limits of \$1,000,000 combined single limit for bodily injury and property damage.
- d. Commercial general liability insurance with minimum limits of \$1,000,000 combined single limit for each occurrence and \$2,000,000 general aggregate. This insurance coverage shall include products/completed operations and bodily injury/property damage.

### C. GENERAL PROVISIONS

1. **Periodic Inspections.** Throughout the term of this contract, the BORROWER shall permit a designated representative of the CWCB to make periodic inspections of the PROJECT. Such inspections shall cover the condition of the PROJECT, operating records, maintenance records, and financial records. These inspections are solely for the purpose of verifying compliance with the terms and conditions of this contract and shall not be construed nor interpreted as an approval of the actual design, construction or operation of any element of the PROJECT facilities
2. **Applicable Laws.** The BORROWER shall strictly adhere to all applicable federal, state, and local laws and regulations that are in effect or may hereafter be established throughout the term of this contract.
3. **Designated Agent Of The CWCB.** The CWCB's employees are designated as the agents of the CWCB for the purpose of this contract.
4. **Assignment.** The BORROWER may not assign this contract except with the prior written approval of the CWCB.
5. **Contract Relationship.** The parties to this contract intend that the relationship between them under this contract is that of lender-borrower, not employer-employee. No agent, employee, or servant of the BORROWER shall be, or shall be deemed to be, an employee, agent, or servant of the CWCB. The BORROWER shall be solely and entirely responsible for its acts and the acts of its agents, employees, servants, engineering firms, construction firms, and subcontractors during the term of this contract.
6. **Integration Of Terms.** This contract is intended as the complete integration of all understandings between the parties. No prior or contemporaneous addition, deletion, or other amendment hereto shall have any force or effect whatsoever unless embodied herein in writing. No subsequent novation, renewal, addition, deletion, or other

amendment hereto shall have any force or effect unless embodied in a written contract executed and approved pursuant to STATE fiscal rules, unless expressly provided for herein.

7. **Controlling Terms.** In the event of conflicts or inconsistencies between the terms of this contract and conditions as set forth in any of the appendices, such conflicts or inconsistencies shall be resolved by reference to the documents in the following order of priority: (1) Colorado Special Provisions, (2) the remainder of this contract, and (3) the Appendices.
8. **Casualty and Eminent Domain.** If, at any time, during the term of this contract, (a) the BORROWER'S PROJECT facilities including buildings or any portion thereof, are damaged or destroyed, in whole or in part, by fire or other casualty, or (b) title to or use of the PROJECT facilities or any part thereof shall be taken under the exercise of the power of eminent domain, the BORROWER shall cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt replacement, repair and restoration of the PROJECT facilities or any portion thereof, or to repayment of this loan. Any net proceeds remaining after such work has been completed or this loan has been repaid, shall be retained by the BORROWER. If the net insurance proceeds are insufficient to pay the full cost of the replacement, repair and restoration, the BORROWER shall complete the work and pay any cost in excess of the net proceeds. In the event BORROWER chooses to repay the loan, BORROWER shall remain responsible for the full loan amount outstanding regardless of the amount of such insurance proceeds or condemnation award.
9. **Captions.** The captions and headings contained in this contract are for convenience and reference only and shall not be construed so as to define or limit the terms or provisions contracted herein.
10. **CWCB's Approval.** This contract requires review and approval of plans, specifications, and various other technical and legal documents. The CWCB's review of these documents is only for the purpose of verifying BORROWER'S compliance with this contract and shall not be construed or interpreted as a technical review or approval of the actual design or construction of the PROJECT. Notwithstanding any consents or approvals given to the BORROWER by the CWCB on any such documents, BORROWER and any of its consultants, by preparing any such documents, shall be solely responsible for the accuracy and completeness of any of said documents.
11. **Waiver.** The waiver of any breach of a term of this contract shall not be construed as a waiver of any other term or of any subsequent breach of the same term.
12. **Addresses for mailing.** All notices, correspondence, or other documents required by this contract shall be delivered or mailed to the addresses shown in the **Project Summary**, Section 1 for the BORROWER and to the address below for the CWCB:



Colorado Water Conservation Board  
Attn: Construction Fund Section  
1313 Sherman Street, Room 721  
Denver, CO 80203

## SPECIAL PROVISIONS

These Special Provisions apply to all contracts except where noted in *italics*.

- 1. CONTROLLER'S APPROVAL. CRS §24-30-202(1).** This contract shall not be valid until it has been approved by the Colorado State Controller or designee.
- 2. FUND AVAILABILITY. CRS §24-30-202(5.5).** Financial obligations of the State payable after the current fiscal year are contingent upon funds for that purpose being appropriated, budgeted, and otherwise made available.
- 3. GOVERNMENTAL IMMUNITY.** No term or condition of this contract shall be construed or interpreted as a waiver, express or implied, of any of the immunities, rights, benefits, protections, or other provisions, of the Colorado Governmental Immunity Act, CRS §24-10-101 et seq., or the Federal Tort Claims Act, 28 U.S.C. §§1346(b) and 2671 et seq., as applicable now or hereafter amended.
- 4. INDEPENDENT CONTRACTOR.** Contractor shall perform its duties hereunder as an independent contractor and not as an employee. Neither Contractor nor any agent or employee of Contractor shall be deemed to be an agent or employee of the State. Contractor and its employees and agents are not entitled to unemployment insurance or workers compensation benefits through the State and the State shall not pay for or otherwise provide such coverage for Contractor or any of its agents or employees. Unemployment insurance benefits will be available to Contractor and its employees and agents only if such coverage is made available by Contractor or a third party. Contractor shall pay when due all applicable employment taxes and income taxes and local head taxes incurred pursuant to this contract. Contractor shall not have authorization, express or implied, to bind the State to any agreement, liability or understanding, except as expressly set forth herein. Contractor shall (a) provide and keep in force workers' compensation and unemployment compensation insurance in the amounts required by law, (b) provide proof thereof when requested by the State, and (c) be solely responsible for its acts and those of its employees and agents.
- 5. COMPLIANCE WITH LAW.** Contractor shall strictly comply with all applicable federal and State laws, rules, and regulations in effect or hereafter established, including, without limitation, laws applicable to discrimination and unfair employment practices.
- 6. CHOICE OF LAW.** Colorado law, and rules and regulations issued pursuant thereto, shall be applied in the interpretation, execution, and enforcement of this contract. Any provision included or incorporated herein by reference which conflicts with said laws, rules, and regulations shall be null and void. Any provision incorporated herein by reference which purports to negate this or any other Special Provision in whole or in part shall not be valid or enforceable or available in any action at law, whether by way of complaint, defense, or otherwise. Any provision rendered null and void by the operation of this provision shall not invalidate the remainder of this contract, to the extent capable of execution.
- 7. BINDING ARBITRATION PROHIBITED.** The State of Colorado does not agree to binding arbitration by any extra-judicial body or person. Any provision to the contrary in this contract or incorporated herein by reference shall be null and void.
- 8. SOFTWARE PIRACY PROHIBITION.** Governor's Executive Order D 002 00. State or other public

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funds payable under this contract shall not be used for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions. Contractor hereby certifies and warrants that, during the term of this contract and any extensions, Contractor has and shall maintain in place appropriate systems and controls to prevent such improper use of public funds. If the State determines that Contractor is in violation of this provision, the State may exercise any remedy available at law or in equity or under this contract, including, without limitation, immediate termination of this contract and any remedy consistent with federal copyright laws or applicable licensing restrictions.

**9. EMPLOYEE FINANCIAL INTEREST/CONFLICT OF INTEREST. CRS §§24-18-201 and 24-50-507.**

The signatories aver that to their knowledge, no employee of the State has any personal or beneficial interest whatsoever in the service or property described in this contract. Contractor has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of Contractor's services and Contractor shall not employ any person having such known interests.

**10. VENDOR OFFSET. CRS §§24-30-202 (1) and 24-30-202.4. [Not Applicable to intergovernmental agreements]** Subject to CRS §24-30-202.4 (3.5), the State Controller may withhold payment under the State's vendor offset intercept system for debts owed to State agencies for: (a) unpaid child support debts or child support arrearages; (b) unpaid balances of tax, accrued interest, or other charges specified in CRS §39-21-101, et seq.; (c) unpaid loans due to the Student Loan Division of the Department of Higher Education; (d) amounts required to be paid to the Unemployment Compensation Fund; and (e) other unpaid debts owing to the State as a result of final agency determination or judicial action.

**11. PUBLIC CONTRACTS FOR SERVICES. CRS §8-17.5-101. [Not Applicable to agreements relating to the offer, issuance, or sale of securities, investment advisory services or fund management services, sponsored projects, intergovernmental agreements, or information technology services or products and services]** Contractor certifies, warrants, and agrees that it does not knowingly employ or contract with an illegal alien who will perform work under this contract and will confirm the employment eligibility of all employees who are newly hired for employment in the United States to perform work under this contract, through participation in the E-Verify Program or the Department program established pursuant to CRS §8-17.5-102(5)(c). Contractor shall not knowingly employ or contract with an illegal alien to perform work under this contract or enter into a contract with a subcontractor that fails to certify to Contractor that the subcontractor shall not knowingly employ or contract with an illegal alien to perform work under this contract. Contractor (a) shall not use E-Verify Program or Department program procedures to undertake pre-employment screening of job applicants while this contract is being performed, (b) shall notify the subcontractor and the contracting State agency within three days if Contractor has actual knowledge that a subcontractor is employing or contracting with an illegal alien for work under this contract, (c) shall terminate the subcontract if a subcontractor does not stop employing or contracting with the illegal alien within three days of receiving the notice, and (d) shall comply with reasonable requests made in the course of an investigation, undertaken pursuant to CRS §8-17.5-102(5), by the Colorado Department of Labor and Employment. If Contractor participates in the Department program, Contractor shall deliver to the contracting State agency, Institution of Higher Education or political subdivision a written, notarized affirmation, affirming that Contractor has examined the legal work status of such employee, and shall comply with all of the other requirements of the Department program. If Contractor fails to comply with any requirement of this provision or CRS §8-17.5-101 et seq., the contracting State agency, institution of higher education or political subdivision may terminate this contract for breach and, if so terminated, Contractor shall be liable for damages.

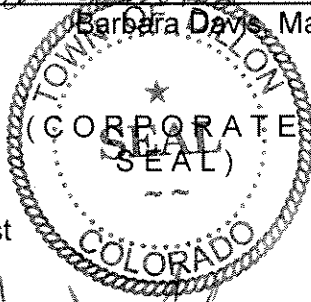
**12. PUBLIC CONTRACTS WITH NATURAL PERSONS. CRS §24-76.5-101.** Contractor, if a natural person eighteen (18) years of age or older, hereby swears and affirms under penalty of perjury that he or she (a) is a citizen or otherwise lawfully present in the United States pursuant to federal law, (b) shall comply with the provisions of CRS §24-76.5-101 et seq., and (c) has produced one form of identification required by CRS §24-76.5-103 prior to the effective date of this contract.

Revised 1-1-09

**THE PARTIES HERETO HAVE EXECUTED THIS CONTRACT**

BORROWER: Town of Dillon, acting by  
and through its Water Activity Enterprise

By Barbara Davis  
Barbara Davis, Mayor



Attest

By Jan Thomas  
Jan Thomas CMC, Town Clerk

State of Colorado  
Bill Ritter, Jr., Governor

By Jennifer L. Gimbel  
For the Executive Director  
Department of Natural Resources  
Colorado Water Conservation Board  
Jennifer L. Gimbel, Director

Pre-Approved Form

By Chris Bassi  
CWCB Contract Manager

**ALL CONTRACTS MUST BE APPROVED BY THE STATE CONTROLLER**

CRS 24-30-202 requires that the State Controller approve all state contracts. This contract is not valid until the State Controller, or such assistant as he may delegate, has signed it. The contractor is not authorized to begin performance until the contract is signed and dated below. If performance begins prior to the date below, the State of Colorado may not be obligated to pay for the goods and/or services provided.

David J. McDermott, CPA, State Controller

By \_\_\_\_\_

Effective Date \_\_\_\_\_

**Loan Contract C150295**

## **Project Summary – Town of Dillon, acting by and through its Water Activity Enterprise – Contract No. C150295**

### **SECTION 1 –BORROWER INFORMATION**

Name: Town of Dillon, acting by and through its Water Activity Enterprise  
Address: 275 Lake Dillon Drive, Dillon, CO 80435  
Contact: Eric Holgerson  
Phone Number: 970-262-3408  
E-mail address: erich@townofdillon.com  
Type of Entity: The Town is a home rule municipal corporation located in Summit County. The Town Water Activity Enterprise is a water activity enterprise established by the Town by Ordinance No. 04-07, Series of 2007, dated June 1, 2007, pursuant to Article 45.1, Title 37, C.R.S., which ordinance is incorporated herein by reference. The Enterprise was formed and is operated as an enterprise within the meaning of COLO. CONST. Art. X, Section 20.

### **Section 2 – Project Description**

- A. Description of PROJECT: The BORROWER applied to the CWCB for a loan to be used for the construction of the Old Dillon Reservoir Enlargement Project, located in Summit County, hereinafter referred to as the PROJECT, at an estimated total cost of \$1,728,000.
- B. Description of Feasibility Study: The CWCB has reviewed a feasibility study report on the PROJECT compiled by Eric Holgerson and Carri McDonnell, which is incorporated herein by reference, and, based upon the feasibility report, the CWCB determined the PROJECT to be technically and financially feasible.

### **SECTION 3 – CWCB’S AUTHORITY**

**Construction Fund:** This loan is made pursuant to the provisions of §§ 37-60-119 and 37-60-120, C.R.S., which authorize the CWCB to loan money for water projects from the CWCB Construction Fund for the benefit of the people of the state, provided that the borrower assures repayment of that money.

**Small Project Loan:** This loan is made pursuant to the provisions of §§ 37-60-119 and 37-60-120, C.R.S., which authorizes the CWCB to loan money for water projects for the benefit of the people of the State, provided that the borrower assures repayment of that money.

Section 37-60-122(1)(b) C.R.S., authorizes the CWCB to make loans of up to \$10,000,000 from the CWCB’s Construction Fund and the State Severance Tax Trust Fund Perpetual Base Account Fund without prior approval from the General Assembly

### **SECTION 4 - BOARD APPROVAL AND LEGISLATIVE AUTHORIZATION (IF NEEDED)**

## **Appendix 1 to Loan Contract C150295**

At its May 2009 meeting, the CWCB approved a Small Project Loan from the Construction Fund to the BORROWER in an amount up to \$1,500,000 for PROJECT costs, not to exceed 90% of the cost of the PROJECT, with a loan origination fee of 1% in accordance with CWCB Policy No. 16, at an interest rate of 4.00% per annum for a repayment term of 30 years.

#### **SECTION 5 – SCHEDULE OF EXISTING DEBT**

Colorado Water & Power Development Authority, Balance: \$464,028, Annual Payment: \$126,689, Maturity Date: 11/2012, Collateral: enterprise revenues on parity with CWCB loan.

Wells Fargo Brokerage Services, Balance: \$90,887, Annual Payment: \$18,547, Maturity Date: 3/2014, not collateralized with enterprise revenues.

#### **SECTION 6 – ADDITIONAL CONDITIONS & CONTRACT REQUIREMENTS**

No additional contract requirements.

#### **SECTION 7 – CONSTRUCTION FUND PROGRAM PROCEDURES**

- A. The BORROWER shall employ an engineer, registered in the state of Colorado to prepare plans and specifications for the PROJECT.
- B. The BORROWER's and the Engineering Consultant's plans and specifications must be submitted to the CWCB staff for verification of compliance with the terms of this Contract when available prior to bidding. Any modifications to the plans and specifications must be approved in writing by the CWCB staff.
- C. For plans and specifications for all jurisdictional dams and reservoirs, as defined by § 37-87-105 C.R.S., the BORROWER shall provide a letter of approval from the State Engineer's Office prior to construction.
- D. CWCB staff must be present at bid opening and must approve the award of the construction contract.
- E. The BORROWER shall contract for the construction of the work with responsible and capable Construction Firms, which said Construction Firms shall be selected by the BORROWER and found acceptable by the CWCB staff.
- F. The BORROWER must provide a copy of the executed construction contract documents consisting of the contractor's proposal, construction contract, performance bond, payment bond, notice of award, notice to proceed, sample change order, and sample field order, as well as the advertisement for bid and bid bond at bidding. After the CWCB staff verifies that these documents comply with the terms of this contract, the BORROWER may issue the notice to proceed to the Construction Firms.
- G. The BORROWER shall conduct a pre-construction conference at which time the CWCB staff shall have the opportunity to review and approve the construction

### **Appendix 1 to Loan Contract C150295**

schedule.

- H. If the CWCB staff determines that the PROJECT requires a resident inspector during construction, the BORROWER shall employ an inspector who has been approved by the CWCB staff.
- I. The BORROWER shall construct the PROJECT in accordance with the approved plans and specifications.
- J. Upon completion of the PROJECT construction, the BORROWER shall provide as-built drawings of the PROJECT to the CWCB staff, or, if required by § 37-87-105, C.R.S., the BORROWER shall provide the as-built drawings to the State Engineer's Office for approval and filing.
- K. Upon completion of the PROJECT construction, the BORROWER shall arrange a final inspection for the CWCB staff.
- L. The BORROWER shall pay all of the expenses related to the PROJECT when such bills are due.

**SECTION 8 – ELIGIBLE EXPENSES.** The following items are eligible for loan disbursements.

- A. Preparing final designs and specifications for the PROJECT.
- B. Preparing bid and construction contract documents.
- C. Preparing environmental assessment or environmental impact statements, and otherwise complying with the Federal National Environmental Policy Act.
- D. Complying with all federal, state, and local regulatory requirements, including the obtaining of all required permits.
- E. Fish and wildlife mitigation measures required by federal, state, or local laws and regulations.
- F. Actual construction as called for in the design documents and in change orders approved by the CWCB and the BORROWER.
- G. Engineering services for construction management, including design and construction management for CWCB-approved change orders.
- H. Interest during completion of the PROJECT pursuant to Paragraph A.4 of the Contract.
- I. Legal services for reviewing engineering services contracts, reviewing this Contract, reviewing construction contract documents, and for complying with all federal, state, and local regulatory requirements.
- J. PROJECT-related expenses incurred prior to the Effective Date of this contract in accordance with the legislative approval of this loan.

**SECTION 9 – DISBURSEMENT SCHEDULE**

For Project costs: The BORROWER shall prepare a periodic progress report which

## **Appendix 1 to Loan Contract C150295**

contains a statement of the PROJECT costs expended for that period and shall forward said statement to the CWCB. After receipt of the periodic progress report from the BORROWER, and review and acceptance of the items therein as eligible expenses as described below, the CWCB will pay to the BORROWER the amount set forth in the report or such portion that has been approved by the CWCB. Such payment shall be made within thirty (30) days from the CWCB's approval of each progress report.

**SECTION 10 – TIME FOR PERFORMANCE**

PROJECT Beginning: Upon Effective Date of this Contract (the date this contract is signed by the State Controller or his designee).

PROJECT Finish: Four (4) years from the Effective Date of this Contract.

## PROMISSORY NOTE

Date: July 15, 2009  
Borrower: Town of Dillon, acting by and through its Water Activity Enterprise  
Principal Amount: \$1,515,000  
Interest Rate: 4.00% per annum  
Term of Repayment: 30 years  
Loan Contract No.: C150195, dated July 15, 2009  
Loan Payment: \$87,612.60  
Payment Initiation Date\*: \_\_\_\_\_  
Maturity Date\*: \_\_\_\_\_

\* Payment Initiation Date and Maturity Date fields are filled in after the project has been substantially completed.

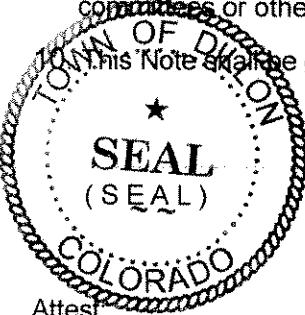
1. FOR VALUE RECEIVED, the BORROWER promises to pay the Colorado Water Conservation Board ("CWCB"), the Principal Amount plus Interest for the Term of Repayment, pursuant to the LOAN CONTRACT and this promissory note.
2. Principal and interest shall be payable in equal Loan Payments, with the first payment due and payable one year from Payment Initiation Date (the date the CWCB determines that the project is substantially complete), and annually thereafter. All principal, interest, and late charges, if any, then remaining unpaid shall be due and payable on or before the Maturity Date.
3. Payments shall be made to the Colorado Water Conservation Board at 1313 Sherman Street, Room 721, Denver, Colorado 80203.
4. The CWCB may impose a late charge in the amount of 5% of the annual payment if the CWCB does not receive the annual payment within 15 calendar days of the due date.
5. This Note may be prepaid in whole or in part at any time without premium or penalty. Any partial prepayment shall not postpone the due date of any subsequent payments or change the amount of such payments.
6. All payments received shall be applied first to late charges, if any, next to accrued interest and then to reduce the principal amount.
7. This Note is issued pursuant to the LOAN CONTRACT between the CWCB and the BORROWER. The LOAN CONTRACT creates security interests in favor of the CWCB to secure the prompt payment of all amounts that may become due hereunder. Said security interests are evidenced by a Security Agreement and/or Assignment(s) ("Security Instruments") of even date and amount and cover certain revenues, real property, water rights and/or accounts of

### Appendix 2 to Loan Contract C150295



the BORROWER. The LOAN CONTRACT and Security Instruments grant additional rights to the CWCB.

8. The CWCB shall give the BORROWER written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the BORROWER shall be considered in default for purposes of this Promissory Note.
9. The BORROWER and any co-signer or guarantor hereby agree that if this Note or interest thereon is not paid when due or if suit is brought, then it shall pay all reasonable costs of collection, including reasonable attorney fees. In the event of any bankruptcy or similar proceedings, costs of collection shall include all costs and attorney fees incurred in connection with such proceedings, including the fees of counsel for attendance at meetings of creditors' committees or other committees.



Attest:

By Jan Thomas  
Jan Thomas CMC, Town Clerk

BORROWER: Town of Dillon, acting by and through its Water Activity Enterprise

By Barbara Davis  
Barbara Davis, Mayor

**ORDINANCE 07-09**  
**Series of 2009**

**AN EMERGENCY ORDINANCE AUTHORIZING THE TOWN OF DILLON, ACTING THROUGH ITS WATER ENTERPRISE, TO ENTER INTO A LOAN CONTRACT, SECURITY AGREEMENT, PROMISSORY NOTE AND RELATED LOAN DOCUMENTS WITH THE DEPARTMENT OF NATURAL RESOURCES, COLORADO WATER CONSERVATION BOARD, TO ACQUIRE FUNDS IN THE PRINCIPAL AMOUNT OF \$1,515,000 TO BE USED FOR THE CONSTRUCTION OF THE OLD DILLON RESERVOIR ENLARGEMENT PROJECT; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF THE LOAN CONTRACT, SECURITY AGREEMENT, PROMISSORY NOTE AND RELATED LOAN DOCUMENTS; AUTHORIZING PERFORMANCE OF ALL ACTION REQUIRED IN CONJUNCTION WITH THE FOREGOING; REPEALING ALL ORDINANCES IN CONFLICT THEREWITH; RATIFYING ALL ACTION HERETOFORE TAKEN IN CONNECTION THEREWITH, AND DECLARING AN EMERGENCY.**

**WHEREAS**, the Town of Dillon, Colorado (the "Town") is a body politic and political subdivision of the State of Colorado; and

**WHEREAS**, the Town recognized its Water Enterprise and affirmed that such Enterprise shall be operated and maintained as a govern-owned business, so as to exclude its activities from certain restrictions of Article X, Section 20 of the Colorado Constitution ("TABOR") pursuant to Ordinance No. 04-07, Series of 2007 ("Water Enterprise"); and

**WHEREAS**, the Town, acting through its Water Enterprise, desires to obtain a loan of funds to be used for the construction of the Town's portion of the Old Dillon Reservoir Enlargement Project (the "Project"); and

**WHEREAS**, to effect such a loan, the Town, acting through its Water Enterprise, proposes to enter into a Loan Contract, Security Agreement, Promissory Note and related loan documents (the "Loan Contract") with the Department of Natural Resources, Colorado Water Conservation Board (the "CWCB"), whereby pursuant to the terms of the Loan Contract, CWCB will loan to the Town the amount of \$1,515,000 for the Project; and

**WHEREAS**, the loan will be repaid from solely from revenues of the Water Enterprise; and

**WHEREAS**, pursuant to the Charter of the Town and TABOR the Loan Contract may be approved and entered into by the Town Council without an election; and

**WHEREAS**, the loan shall be a revenue obligation of the Town, payable from the net revenue of the Water Enterprise; and

**WHEREAS**, there have been presented to the Town Council the Loan Contract; and

**Appendix 3**

**WHEREAS**, the Town Council desires to approve the Loan Contract and authorize the execution thereof; and

**WHEREAS**, a public emergency affecting the preservation of the public peace, health and safety is hereby declared to exist by reason of the need to immediately enter into the Loan Contract while the funds remain available from the State of Colorado for such a loan to complete the Project, and emergency action is required for the immediate preservation of public property, health, welfare, peace, safety, and the financial well being of the Town..

**NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF DILLON, COLORADO, AS FOLLOWS:**

Section 1. Finding and Determination Concerning the Loan Contract. The Town Council of the Town hereby finds and determines that the Loan Contract is appropriate and necessary for conducting Town business, is suitable for such purposes and in furtherance of the governmental and proprietary purposes of the Town and is in the best interest of the citizens of the Town, and the Town Council of the Town hereby grants its approval and authorizes entering into the Loan Contract.

Section 2. Approval and Authorization of the Loan Contract. The Loan Contract is in all respects approved and authorized, and the Mayor, or, in the Mayor's absence, any other authorized officer of the Town, is authorized and directed to execute and deliver on behalf of the Town the Loan Contract, substantially in the form presented to this meeting, with such changes, deletions and additions as may be acceptable to the Mayor, the Town Manager or the Town Attorney, and the Town Clerk of the Town (or any other authorized officer of the Town) is authorized and directed to attest the same under the official seal of the Town; and execution and delivery of the Loan Contract will be conclusive evidence of final approval of the terms set forth therein.

Section 3. Authority to Modify the Documents. Each of the Mayor, the Town Manager and the Town Attorney of the Town is hereby authorized and directed to make, approve or consent to such changes, deletions and additions to the Loan Contract, as the same deem necessary or advisable.

Section 4. Other Documents and Actions. The Mayor, or, in the Mayor's absence, such other authorized officer of the Town, is hereby authorized to execute and deliver on behalf of the Town such additional documents relating to the Loan Contract (including, without limitation, a certificate or an agreement executed by the Town and relating to certain matters concerning compliance with applicable provisions of the Internal Revenue Code of 1986, as amended, necessary in order to maintain the excludability of the interest component of payments under the Loan Contract from gross income for federal income tax purposes), and to perform such acts and to take such actions, as deemed necessary or advisable for the consummation of the transactions herein contemplated and authorized; provided that any such documents shall be in form and substance satisfactory to the Mayor, or, in the Mayor's absence, such other authorized officer of the Town, and if necessary or appropriate the Town Clerk of the Town (or any other authorized officers of the Town) is authorized and directed to attest the same under the official seal of the Town; and execution and delivery of any such documents will be conclusive evidence of final approval of the terms set forth therein.

Section 5. Severability. If any provision of this Ordinance shall be held invalid, the invalidity of such provision shall not affect any of the other provisions of this Ordinance.

Section 6. Emergency Clause. A public emergency affecting the preservation of the public peace, health and safety is hereby declared to exist by reason of the need to immediately approve and authorize the execution, delivery and performance of the Loan Contract while the funds remain available from the State of Colorado for such a loan to complete the Project.

Section 7. Emergency Declared. For the reason stated herein, the Town Council for the Town of Dillon, Colorado hereby declares an emergency to exist concerning the subject matter of this Ordinance and its immediate effect is necessary in order to preserve public property, health, safety, welfare and the financial well being of the Town.

Section 8. Effective Date. The within Emergency Ordinance shall take effect immediately upon adoption.

**INTRODUCED, READ, APPROVED AS AN EMERGENCY ORDINANCE,  
ADOPTED, AND ORDERED PUBLISHED BY TITLE ONLY THIS 7<sup>TH</sup> DAY OF JULY,  
2009.**

**TOWN OF DILLON, COLORADO,**  
a Colorado municipal corporation



By: Jan Thomas  
Jan Thomas, Town Clerk

By: Barbara Davis  
Barbara Davis, Mayor

STATE OF COLORADO     }  
                                      } ss.  
COUNTY OF SUMMIT     }

I, Jan Thomas, the duly chosen, qualified and acting Clerk of the Town of Dillon, Colorado, do hereby certify:

1. The foregoing is a true and correct copy of an ordinance (the "Ordinance") introduced and finally adopted on first reading by the Town Council of the Town of Dillon, Colorado ("Council") at a regular meeting of the Council held on July 7, 2009. A quorum of the Council was in attendance at this meeting.

2. The adoption of the Ordinance was duly moved and seconded and the Ordinance was adopted by an affirmative vote of not less than five members of the Council at the regular meeting of the Council on July 7, 2009 as follows:

Those Voting Aye: Mayor Barbara Davis  
Mayor Pro Tem Don Parsons  
Council Member John Younger  
Council Member Mary Forsythe  
Council Member Douglas Roessel  
Council Member Ron Holland  
Council Member Lucinda Burns

Those Voting Nay: none

Those Absent: none

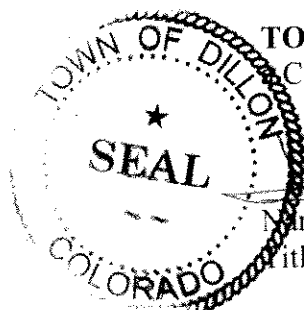
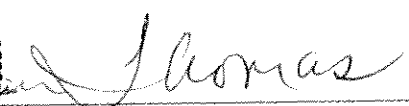
3. The Ordinance was approved and authenticated by the signature of the Mayor, sealed with the Town seal, attested by the Clerk and recorded in the minutes of the Council.

4. The Ordinance was published by title in the Summit County Journal and attached hereto as Exhibit A is an affidavit of publication of the Ordinance. The Ordinance was also posted in two public places after final adoption pursuant to the provisions of the Charter of the Town.

5. Notice of the meeting of the Council was duly given to the Mayor and each member of the Town Council and was duly posted in the Town at least 24 hours prior to the meeting. A true and correct copy of such notice is attached hereto as Exhibit B.

6. There are no bylaws or rules of the Town Council which would prevent the adoption of the Ordinance as an emergency ordinance.

WITNESS my hand and the seal of the Town, this 7<sup>th</sup> day of July, 2009.

 **TOWN OF DILLON, COLORADO,**  
Colorado municipal corporation  
  
Name: Jan Thomas  
Title: Town Clerk

(SEAL)

# **SECURITY AGREEMENT**

(PLEDGE OF REVENUES)

DATE: JULY 15, 2009

DEBTOR: TOWN OF DILLON, ACTING BY AND THROUGH ITS WATER ACTIVITY ENTERPRISE

SECURED PARTY: COLORADO WATER CONSERVATION BOARD  
1313 SHERMAN STREET, ROOM 721  
DENVER, CO 80203

PROMISSORY NOTE: \$1,515,000, DATED JULY 15, 2009

TERMS OF REPAYMENT: 4.00% PER ANNUM FOR 30 YEARS

LOAN CONTRACT: C150295, DATED JULY 15, 2009

COLLATERAL: All Enterprise revenues pledged to repay the loan as described in Pledge of Revenues provisions of the LOAN CONTRACT AND DEBTOR'S ORDINANCE DATED JULY 7, 2009.

To secure payment of the loan evidenced by the PROMISSORY NOTE payable in accordance with the TERMS OF REPAYMENT, or until all principal, interest, and late charges, if any, are paid in full, the DEBTOR grants to SECURED PARTY a security interest in the above described COLLATERAL.

## **DEBTOR EXPRESSLY WARRANTS AND COVENANTS:**

1. That except for the security interest granted hereby and any other security interests described in Section 5 of the Loan Contract Project Summary, DEBTOR is the owner of the COLLATERAL free from any adverse lien, security interest or encumbrances; and that DEBTOR will defend the COLLATERAL against all claims and demands of all persons at any time claiming the same or any interest therein.
2. That the execution and delivery of this agreement by DEBTOR will not violate any law or agreement governing DEBTOR or to which DEBTOR is a party.
3. To not permit or allow any adverse lien, security interest or encumbrance whatsoever upon the COLLATERAL and not to permit the same to be attached or replevined.
4. That by its acceptance of the loan money pursuant to the terms of the CONTRACT and by its representations herein, DEBTOR shall be estopped from asserting for any reason that it is not authorized to grant a security interest in the COLLATERAL pursuant to the terms of this agreement.

UNTIL DEFAULT DEBTOR may have possession of the COLLATERAL, provided that DEBTOR keeps the COLLATERAL in an account separate from other revenues of DEBTOR and does not use the COLLATERAL for any purpose not permitted by the CONTRACT. Upon default, SECURED PARTY shall have the immediate right to the possession of the COLLATERAL.

## **Appendix 4 to Loan Contract C150295**

**DEBTOR SHALL BE IN DEFAULT under this agreement upon any of the following events or conditions:**

- a. default in the payment or performance of any obligation contained herein or in the Promissory Note or Loan Contract;
- b. dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or the commencement of any proceeding under any bankruptcy or insolvency law of, by or against DEBTOR; or
- c. the making or furnishing of any warranty, representation or statement to SECURED PARTY by or on behalf of DEBTOR which proves to have been false in any material respect when made or furnished.

UPON SUCH DEFAULT and at any time thereafter, SECURED PARTY shall have the remedies of a secured party under Article 9 of the Colorado Uniform Commercial Code. SECURED PARTY may require DEBTOR to deliver or make the COLLATERAL available to SECURED PARTY at a place to be designated by SECURED PARTY, which is reasonably convenient to both parties. Expenses of retaking, holding, preparing for sale, selling or the like shall include SECURED PARTY'S reasonable attorney's fees and legal expenses.

The SECURED PARTY shall give the DEBTOR written notice of any alleged default and an opportunity to cure within thirty (30) days of receipt of such notice before the DEBTOR shall be considered in default for purposes of this Security Agreement. No default shall be waived by SECURED PARTY except in writing, and no waiver by SECURED PARTY of any default shall operate as a waiver of any other default or of the same default on a future occasion. The taking of this security agreement shall not waive or impair any other security SECURED PARTY may have or hereafter acquire for the payment of the above indebtedness, nor shall the taking of any such additional security waive or impair this security agreement; but SECURED PARTY shall retain its rights of set-off against DEBTOR. In the event court action is deemed necessary to enforce the terms and conditions set forth herein, said action shall only be brought in the District Court for the City and County of Denver, State of Colorado, and DEBTOR consents to venue and personal jurisdiction in said Court.

All rights of SECURED PARTY hereunder shall inure to the benefit of its successors and assigns; and all promises and duties of DEBTOR shall bind its successors or assigns.

DEBTOR: Town of Dillon, acting by and through its Water Activity Enterprise

By



Barbara Davis, Mayor

ATTEST

By



Jan Thomas CMC, Town Clerk

