

## LOAN AGREEMENT

This Loan Agreement is made as of this 1<sup>st</sup> day of February, 2022, by and between the City of Vergas, Otter Tail County, Minnesota (the “City”) and Vergas State Bank, located in Vergas, Minnesota (the “Lender”).

### R E C I T A L S

WHEREAS, the City desires to obtain a loan from the Lender to be evidenced by the City’s \$132,000 General Obligation Water Revenue Note, Series 2022A, dated February 1, 2022 (the “Note”). The proceeds of such loan shall be used for public purposes, including:

A. financing the cost of improvements to the Issuer’s water system, as more fully described in the City’s resolution adopted on January 11, 2022 (the “Resolution”); and

B. to provide for the costs of issuance of the Note.

WHEREAS, the parties hereto desire to set out the terms and conditions of such loan and the Note and the terms and conditions of advancing funds pursuant to the Note.

NOW, THEREFORE, it is hereby agreed as follows:

1. The City agrees to issue the Note to the Lender and the Lender agrees that such loan will be repaid with interest at the rate of 2.00% per annum in accordance with the terms and conditions of the Note set forth in the Resolution.

2. The Lender shall agree to accept the debt instrument for investment and not with a present view to the distribution, transfer or resale thereof. The Lender intends to hold and book the Note as a loan in its loan portfolio; the Lender acknowledges that the use of the word “Note” in the name of the debt instrument is for convenience only and is not intended to indicate that the instrument is a security within the meaning of the Securities Act of 1933.

3. The Lender agrees to hold the Note for its own account until its maturity or early redemption and does not intend to dispose of all or any portion of such Note and understands that transfer of such Note is restricted pursuant to the terms of the Resolution, the Note and this Loan Agreement.

4. On the date of issuance of the Note, the Lender shall advance the entire loan amount of \$132,000 in exchange for delivery of the Note by the City.

5. All capitalized terms not defined herein shall have the meaning, as defined, in the Resolution.

[Signature page to Loan Agreement by and between the City of Vergas, Minnesota and Vergas State Bank, located in Vergas, Minnesota]

This Agreement is dated as of the date and year first above written.

CITY OF VERGAS, MINNESOTA

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
Clerk-Treasurer

[Signature page to Loan Agreement by and between the City of Vergas, Minnesota and Vergas State Bank, located in Vergas, Minnesota]

This Agreement is dated as of the date and year first above written.

VERGAS STATE BANK

By \_\_\_\_\_  
Its \_\_\_\_\_