

SALES AND PROPERTY TAX PLEDGE AGREEMENT
 (“Agreement”)

Date: November ___, 2016

Lender’s Name: FIRSTBANK (the “Lender”)

Lender’s Mailing Address: 2 Plum Creek Parkway
 Castle Rock, Colorado 80104

Borrower’s Name: TOWN OF CASTLE ROCK
 (the “Town”)

Borrower’s Mailing Address: 100 N. Wilcox Street
 Castle Rock, CO 80104

Lender may give all notices to the Town at the above address until advised in writing by the Town to the contrary.

The Town agrees with the Lender as follows:

1. Promissory Note. This Agreement secures that certain Revolving Line of Credit Promissory Note, from the Town payable to the order of Lender in the original principal amount of not more than One Million and no/100 Dollars (\$1,000,000.00) (the “Note”). The Note evidences the obligation to repay a loan made by the Lender to the Town (“Loan”). The Town’s obligation under the Loan Documents (as defined in the Note) shall not exceed the amount authorized at the special election held on November 4, 2008, including all obligations that are issued pursuant to the authority conferred at the 2008 election.

2. Pledged Revenues. The Note shall be payable from (hereafter collectively referred to as, the “Pledged Revenue”): (a) “property and sales tax increment (TIF)” (“TIF”) as such term is used and referenced in Plan of Development of the Castle Rock Downtown Development (“Development Plan”) as approved and adopted pursuant to the Resolution No. 2008-01 of the Castle Rock Downtown Development Authority (“Authority,” of “DDA”) adopted on November 20, 2008 (“Authority Resolution”), Resolution No. 2008-116 of the Debtor approving the Development Plan, adopted on December 16, 2008, as amended by Resolution No. 2015-59, adopted on July 7, 2015 (collectively, “Town Resolutions Approving DDA Plan of Development”); and (b) the amounts of TIF annually allocated by the Debtor to the Special Fund Account (as defined in the Account Pledge Agreement dated of even date herewith). Pursuant to Ordinance No. 2008-33, the Town referred to the qualified electors at a special election on November 4, 2008 certain questions referenced in Ordinance No. 2008-33 concerning formation of the DDA and related matters and the voters thereafter approved the formation (“Town Election Ordinance”). Pursuant to Ordinance No. 2008-38 the Debtor approved the Master Plan of the DDA (“Town Ordinance Approving Master Plan”). Pursuant to Ordinance No. 2008-39, the Debtor created the Authority (“Town Ordinance Establishing DDA,” and together with the Authority Resolution, Town Resolutions Approving DDA Plan of Development, Town Election Ordinance and the Town Ordinance Approving Master Plan, the “Authorizing Documents”). The

Town hereby pledges and grants an irrevocable lien and security interest in and to the Pledged Revenue to secure the payment of the principal of and interest on the Note, which lien shall be junior and subordinate to the lien of that certain Promissory Note dated October 31, 2016 in the amount of \$2.5 million from the Town to the Lender (“2016 Term Note”), and upon payment in full of the 2016 Term Note, such lien shall be a first lien (but not necessarily an exclusive first lien) on the Pledged Revenue.

Notwithstanding the foregoing, pursuant to the Development Plan, as amended by the Town Resolutions Approving DDA Plan of Development, the Town’s pledge hereunder of municipal sales tax increment comprising a portion of the TIF shall be limited to the amount of municipal sales tax increment annually allocated to and paid into the special fund referred to in the Development Plan (the “Town’s Special Fund”) and such amount allocated to the Town’s Special Fund shall not be less than provided in the Development Plan. In addition to any of the Town’s Special Fund amounts securing the Loan in the Special Fund Account held by the Lender (“Special Fund Account”) pursuant to the Account Pledge Agreement between the Town and the Lender of even date herewith, and subject to the following sentence, the Town hereby agrees that it shall annually allocate and pay into the Town’s Special Fund municipal sales tax increment in an amount such that when such municipal sales tax increment is added to the property tax increment under the Development Plan, the total of the TIF on deposit in the Town’s Special Fund for any year is at least 1.0 times the debt service on all outstanding notes, bonds or other evidences of debt of the Town secured by the TIF, plus for such year, the amount equal to the outstanding amount drawn on the Note as specified further in the Account Pledge Agreement. In the event of a default hereunder or under any evidences of debt payable by the Town to Lender, or held by Lender, the Town hereby agrees to allocate and pay into the Town’s Special Fund and deliver to the Special Fund Account at the Lender all municipal sales tax increment as Pledged Revenue and shall upon receipt of notice of default hereunder automatically deposit such Pledged Revenues into the Town’s Special Fund and the Special Fund Account at the Lender.

The creation, perfection, enforcement, and priority of the pledge of the Pledged Revenue to secure or pay the Note as provided herein shall be governed by § 11-57-208 of the Supplemental Public Securities Act, being Part 2 of Article 57 of Title 11, Colorado Revised Statutes. The Pledged Revenue pledged for the payment of the Note, as received by or otherwise credited to the Town, shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of the Pledged Revenue and the obligation to perform the contractual provisions made herein shall have priority over any or all other obligations and liabilities of the Town, subject to the terms and provisions of the 2016 Term Note. The lien on such Pledged Revenue shall be valid, binding, and enforceable as against all persons or entities having claims of any kind in tort, contract, or otherwise against the Town irrespective of whether such persons or entities have notice of such liens.

3. Representations, Warranties, Covenants and Agreements. Town represents, warrants, covenants, and agrees that at all times this Agreement is in effect:

3.1 The Town has not pledged or otherwise encumbered Pledged Revenue except for (a) the subordinate pledge provided for in the Downtown Redevelopment Reimbursement Agreement (Merchantile Commons) dated August 4, 2015, among the Town, the DDA and Merchantile Commons, LLC, (b) the Downtown Redevelopment Reimbursement

Agreement (221 Wilcox Street) dated April 19, 2016, among the Town, the DDA and Wilcox Street LLCC, and (c) the 2016 Term Note. Except for the 2016 Term Note, there are no liens or encumbrances of any kind or description on the Pledged Revenue which are superior to or on a parity with the lien on the Pledged Revenues as provided in the Loan Documents. Except for the 2016 Term Note, the Town has not and shall not issue any obligations that are secured by a lien on the Pledged Revenues that is superior to the lien created hereunder to secure the Note without the express written consent of the Lender. The Town shall not issue any obligations that are secured by a lien on the Pledged Revenues or any other obligation, reimbursement, or rebate agreements that is on parity with the lien thereon of the Note, this Agreement and the Account Pledge Agreement without the express written consent of the Lender. The Town is permitted to issue obligations that are secured by a lien on the Pledged Revenues or other reimbursement or rebate obligations, so long as all such obligations are subordinate to the lien thereon created by this Agreement and the Account Pledge Agreement upon notice to the Lender and provided the pledge or other agreement with the subordinate lienholder or other party includes an agreement and acknowledgement from each the subordinate lienholder or other party and the Town that (a) such pledge, security interest in, lien on, or other right in or to the Pledged Revenues is subordinate to the pledge, security interest or lien on the Pledged Revenues granted in this Agreement and the Account Pledge Agreement and (b) Lender is a third-party beneficiary of the agreement and acknowledgement in (a) above.

3.2 The Town shall, to the extent permitted by law, defend the validity and legality of the Authorizing Documents, and the Pledged Revenues against all claims, suits and proceedings which would materially diminish or impair the Pledged Revenues. The Town shall not amend the Authorizing Documents in such a manner that would materially diminish the Pledged Revenues without the prior written consent of the Lender.

3.3 There is not pending or threatened in writing any suit, action or proceeding against or affecting the Town before or by any court, arbitrator, administrative agency or other governmental Town which affects the validity or legality of the Authorizing Documents or the imposition and collection of the Pledged Revenues and the Town has the right to pledge the Pledged Revenues and enter into this Agreement without the consent of any other party.

3.4 Town shall promptly furnish to the Lender any financial information regarding Town or information regarding the Pledged Revenues as the Lender shall reasonably request, which information shall be in such form and detail as the Lender may specify.

3.5 The Town shall maintain the Special Funds Account at the Lender of all of the Pledged Revenue described in section 2(b) above and any additional amounts in section 2 required to be deposited in the Special Funds Account upon an event of default.

3.6 The amount of any payment made or the cost of any action taken by the Lender pursuant to the terms of this Agreement shall be promptly paid by Town to the Lender, shall be added to the Note secured hereby, and shall bear interest at the highest rate specified in the Note secured hereby from the date incurred by the Lender until paid. No such act done or amount paid by the Lender shall be deemed to constitute a waiver of any default of Town.

4. Default and Rights of the Lender.

4.1 Occurrence of any one of the following events shall constitute an “Event of Default” under this Agreement after ten (10) days opportunity to cure a monetary default and after written notice to Town and thirty (30) days to cure a non-monetary default:

a. Breach, failure of payment or performance, or default by Town of or under any of the terms, conditions, or covenants of this Agreement, the Note, Account Pledge Agreement (“Deposit Agreement”) each of even date herewith.

b. Town makes an assignment for the benefit of creditors, or a receiver, liquidator, or trustee is appointed for Town or any of its property.

c. Any proceeding under any insolvency or bankruptcy law is instituted by or against Town or any action is taken to realize upon or any proceeding is instituted to foreclose any security interest, lien or right of any kind against the Pledged Revenues.

4.2 Upon the happening and continuance of an Event of Default, the Lender may protect and enforce its rights hereunder by proper legal or equitable remedy deemed most effectual including mandamus, specific performance of any covenants, the appointment of a receiver (the consent of such appointment being hereby granted), injunctive relief, or requiring the Town Council to act as if it were the trustee of an express trust, or any combination of such remedies. The Lender may exercise any of the rights and remedies of a creditor under the Uniform Commercial Code as in force in the State of Colorado on the date hereof (“UCC”), any other law, or any court rule and/or take any one or more of the actions specified below (which rights and remedies are cumulative):

a. Exercise any right or action set forth herein or in the Note, and the Deposit Agreement.

b. Institute legal proceedings to foreclose the lien and security interest described herein; recover judgment on the Note.

4.3 Proceeds received by the Lender from exercising its remedies hereunder may be applied by the Lender first to the reasonable expense of exercising such remedies, including reasonable attorneys’ fees and legal expenses incurred, and then to the satisfaction of the Note. After such application and any further application required by law, Town shall remain liable to the Lender for any deficiency.

5. Freedom to Deal with Pledged Revenues and Note. Town agrees that the Lender may, without notice or liability to Town: (a) release any security for the Note which has been provided by Town before or after maturity of the Note; (b) enforce its rights as to any of the Pledged Revenues covered by this Agreement without being obliged to first do so as to any other security; (c) allow Town to create additional obligations secured hereby; (d) and/or extend, renew, modify, or make any accommodations with regard to the Note.

6. Attorneys' Fees and Costs. All expenses incurred by the Lender in protecting, maintaining, and enforcing the Note and all expenses, including reasonable attorneys' fees and legal expenses, incurred by the Lender in seeking to collect or enforce any rights to or under the Pledged Revenues and, in case of default, incurred by the Lender in seeking to enforce its rights hereunder (including participating or taking action in any bankruptcy or other insolvency proceeding of Town) shall be immediately reimbursed to the Lender by Town and shall be part of the Note secured by this Agreement.

7. Miscellaneous. The paragraph headings used in this Agreement are for convenience only and shall not be used in the interpretation hereof. Nothing in this Agreement shall waive or restrict any right of the Lender granted in any other document or by law. No delay on the part of the Lender in the exercise of any right or remedy shall operate as a waiver. No single or partial exercise by the Lender of any right or remedy shall preclude any other future exercise of that right or remedy or the exercise of any other right or remedy. No waiver or indulgence by the Lender of any default shall be effective unless in writing and signed by the Lender, nor shall a waiver on one occasion be construed as a bar to or waiver of that right on any future occasion. Acceptance of partial or late payments owing on the Note at any time shall not be deemed a waiver of any default. All rights, remedies and security granted to the Lender herein are cumulative and in addition to other rights, remedies or security which may be granted elsewhere or by law. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. If any provision hereof shall be declared invalid or illegal it shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of the provision or the remaining provisions of this Agreement. Notice from the Lender to Town shall be deemed given if faxed to Town or sent by Federal Express or sent by hand and addressed to Town's address set forth at the beginning of this Agreement or such other address as Town may designate for itself by like notice to Lender. Any reference to the Lender shall include any holder of the Note and any holder shall succeed to the Lender's rights under this Agreement. This Agreement shall bind the respective heirs, personal representatives, successors and assigns of Town.

This Agreement shall remain in full force and effect, and the Lender's security interest in the Pledged Revenues and all rights of the Lender and duties of Town described herein shall continue in full force and effect until the Note secured hereby is paid in full. This Agreement has been executed in Colorado, and is governed by Colorado law.

If any payment applied by the Lender to the Note is subsequently set aside, recovered, rescinded or otherwise required to be returned or disgorged by the Lender for any reason (pursuant to bankruptcy proceedings, fraudulent conveyance statutes, or otherwise), the Note to which the payment was applied shall for the purposes of this Agreement be deemed to have continued in existence, notwithstanding the application, and shall be secured by the Pledged Revenues as fully as if the Lender had not received and applied the payment.

8. WAIVER OF JURY TRIAL. THE UNDERSIGNED AND THE LENDER EACH HEREBY KNOWINGLY AND VOLUNTARILY, WITHOUT COERCION AND AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, WAIVE ALL RIGHTS TO A TRIAL BY JURY OF ALL DISPUTES BETWEEN THEM ARISING OUT OF THIS AGREEMENT OR ANY OF THE NOTE. NEITHER THE UNDERSIGNED NOR THE LENDER SHALL SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY ACTION IN WHICH A JURY TRIAL HAS BEEN

WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THIS WAIVER OF JURY TRIAL MAY NOT BE MODIFIED IN ANY RESPECT OR RELINQUISHED BY ANY PARTY EXCEPT IN A WRITTEN INSTRUMENT EXECUTED BY ALL PARTIES.

[Signatures on following page]

IN WITNESS WHEREOF, the Town and Lender have signed this Agreement as of the date and year first set forth above.

TOWN:

TOWN OF CASTLE ROCK,
a home rule municipality and political subdivision
of the State of Colorado

By: _____
Paul Donahue, Mayor

(Seal)

ATTEST:

Sally Misare, Town Clerk

LENDER:

FIRSTBANK,
a Colorado banking corporation

By: _____
David Zwerenz, Senior Vice President

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