



100 Bank St, Suite 401 – Burlington, VT 05401 – 802-654-7377

May 1, 2024

Re: Municipal Climate Recovery Fund Covenant Flexibility on FEMA Reimbursements

Dear MCRF Borrower:

The purpose of this letter is to provide interpretation for Municipal Climate Recovery Fund (MCRF) borrowers related to the loan agreement covenant to provide the Vermont Bond Bank (Bond Bank) timely repayment of the MCRF from FEMA reimbursements.

Note the following clarifications and notifications required:

- By default, borrowers are expected to use 50% of FEMA reimbursements to prepay or partially prepay the MCRF loan in increments of \$50,000. For example, the borrower receives \$100,000 in FEMA reimbursement and partially prepays MCRF loan with \$50,000. Prepayments are due 45 days after the \$100,000 reimbursement threshold is reached.
- Alternatively, borrowers may elect to begin prepayment or partial prepayment from FEMA reimbursement after 50% of total reimbursements (i.e. FEMA reimbursements / damage inventory) are received. For example, the borrower has a damage inventory of \$1,000,000 and \$500,000 is received in reimbursement. Going forward, the borrower partially prepays the MCRF loan with each reimbursement of at least \$50,000 (unless the loan balance is less). Prepayments are due 45 days after the \$50,000 reimbursement threshold is reached. *The choice of this option must be noted on the quarterly reporting form described below.*
- Prepayments or partial prepayments of the MCRF loan must be in minimum amounts of \$50,000 unless or until the loan balance is less than \$50,000. This means that FEMA reimbursement must equal at least \$100,000 prior to prepayment (unless the borrower has elected the alternative covenant interpretation above) and on-going prepayment will not be required unless an additional \$100,000 is received.

In no event do the above clarifications modify the requirement to repay the loan on the schedule within the loan agreement or the subsequent amended schedule following partial repayment.

Additionally, Exhibit G requires quarterly reporting on FEMA reimbursements. Please visit <https://www.vtbondbank.org/borrowers> to provide reporting that is due 30 days after the end of the quarter. Scroll to the bottom of the page to access the form.

The Bond Bank is eager to continue to help flood-impacted communities and we hope this additional flexibility will help. Please contact us with questions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'ML', with a stylized, flowing script.

Michael Gaughan
Executive Director