



State of Utah

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GREG BELL
Lieutenant Governor

Department of
Workforce Services

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CASEY R. ERICKSON
Deputy Director

GEOFFREY T. LANDWARD
Deputy Director

July 18, 2013

Mr. Chip Shortreed, Chairman
TICABOO UTILITY IMPROVEMENT
DISTRICT
Highway 276, Mile Marker 27, Box 2140
Ticaboo, Utah 84533

Re: NOTICE OF LOAN AUTHORIZATION AND CONDITIONS

Dear Mr. Shortreed:

On July 11, 2013, the Permanent Community Impact Fund Board (the "Board") authorized a \$600,000 loan to Ticaboo Utility Improvement District (the "Issuer") for the acquisition and installation of power system components, including new power generation equipment, a closed automatic transmission switch an 80 kVAR reactor, and monitoring equipment (the "Project"). The loan will be evidenced by an electric revenue bond (the "Bond") to be issued by the Issuer and purchased by the Board. The purpose of this letter is to set forth the terms of the loan and to specify the conditions that must be satisfied before the Bond is purchased by the Board.

Basic Loan Terms

The Bond must provide that it shall mature in 30 principal installments, payable on October 1 of each year commencing on October 1, 2015. Enclosed with this letter is a principal repayment schedule listing the amount of principal maturing in each year. In addition, the Issuer shall be required to make annual payments of interest on the unpaid principal balance of the Bond accruing from October 1, 2014 at the rate of one and one-half percent (1.50%) per annum. The Bond shall provide that delinquent installments of principal and/or interest shall bear interest at the rate of eighteen percent (18%) per annum from the due date thereof through the date of actual payment. All payments shall be applied first to accrued but unpaid interest and then to principal.

The Bond may be prepaid, in whole or in part, at any time in minimum amounts of \$1,000 or any integral multiple thereof, which prepayments shall be applied against Bond principal in inverse order of maturities. In addition, if any Bond proceeds remain after the Project is completed, those remaining proceeds shall be used to redeem Bond principal in inverse order of maturities.

Total Project Funds

Based upon the information presented to the Board, the following sources of funding will be available for the construction of the Project:

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<u>Agency</u>	<u>Cost Sharing</u>	<u>% of Total</u>
Permanent Community Impact Fund Board -- Loan	\$600,000	100%

As a condition to the purchase of the Bond by the Board, the Issuer must make arrangement for all loan proceeds to be deposited into the escrow account described below at the time the Board delivers funds; and assurances must be given that all grant funds (other than direct grants from the Board) will be available for the Project when needed. If any funds remain in the escrow account upon completion of the Project, those funds shall be deemed to be grant funds up to the entire amount of all grants (from agencies other than the Issuer) and shall be returned to the granting agency on a pro rata basis.

Bond Format and Security

The Bond shall be in the form of a non-voted electric revenue bond to be issued by the Issuer. In addition to other provisions typically included in such documents, the Bond documents must contain the following provisions:

1. The Bond will be issued initially in the form of a single, fully-registered bond in the amount of \$600,000. However, provision should be made which would allow the Bond to be exchanged for separate serial bonds in minimum denominations of \$1,000.

2. The Bond must be secured by a pledge by the Issuer of 100% of the net revenue produced by the Issuer's electric power generation and distribution system, and the Issuer will be required to warrant and demonstrate that those net revenues equal or exceed 125% of the total annual debt service requirements on the Bond and any other obligations secured by a pledge of those revenues.

3. The Issuer will be required to establish and maintain a debt service reserve fund in an amount equal to the maximum annual debt service on the Bond. The amount required must be contributed to that fund in no more than 72 monthly deposits.

4. Interest on the Bond must be tax-exempt, and delivery of the Bond must be accompanied by an opinion of recognized bond counsel that the interest is not subject to state or federal income taxes.

5. If the Issuer has previously issued bonds or other obligations secured by a pledge of electric system revenues, the Bond to be purchased by the Board should be issued on a parity with those prior bonds or obligations with respect to the revenue pledge. If it is not possible for the Bond to be issued on a parity basis, the Issuer should contact Mr. Keith Heaton immediately at (801) 526-9461.

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Bond Documents and Closing Conditions

Certain conditions must be satisfied and completed before the Board will purchase the Bond. In this regard, the Board has assigned William L. Prater the responsibility of reviewing and approving all proceedings and documents relating to the sale of bonds to the Board. His address is: 6925 Union Park Center, Suite 265, Midvale, Utah 84047; and his telephone number is: (801) 566-8882. The Board's Director of Community Development, Mr. Keith Heaton, will also monitor compliance by the Issuer with those loan conditions. His telephone number is: (801) 526-9461.

The following conditions must be met before the Board will purchase the Bond:

1. The Issuer should retain the services of a nationally recognized bond attorney to assist the Issuer in the preparation of the bond documents and to render legal opinions related thereto. The Issuer's bond attorney should submit the following items to the Board's attorney at the times listed below:

(a) No later than one week prior to the meeting at which the Issuer intends to adopt its Resolution for the issuance of the Bond, a complete copy of the proposed Resolution shall be submitted for review.

(b) No later than two weeks after the adoption of the Resolution, the following items shall be submitted:

(i) A true and complete photocopy of the Resolution as adopted, showing signatures of the appropriate officials of the Issuer on the Resolution and on the Notice of Meeting, Acknowledgment of Notice and Consent, Certificate of Publication, Open Meeting Certificate, and other similar documents relating to the Resolution.

(ii) A complete copy of the proposed documents to be signed at Closing, including (but not necessarily limited to) General Certificate, Signature Identification and Non-Litigation Certificate, Receipt, Arbitrage Certificate (if required), Issuer Attorney's Non-Litigation Certificate, Certificate of Clerk (or Recorder) as to contents of Bond Transcript File, Net Revenue Certificate, Escrow Agreement, and the Bond Attorney's Opinion.

The procedures for bond approval will be substantially the same as required by the Utah Local Government Bonding Act as it applies to cities and towns. The opinion of the bond attorney must accompany delivery of the Bond to the Board before proceeds of the loan will be released.

At or after the Closing, the Issuer will be billed by the Board's attorney, and those legal fees must be paid by the Issuer. (This is an eligible Project expenditure.) If the Issuer fails to

close the loan after this authorization, it will nonetheless be billed for the actions taken by the Board's attorney prior to loan cancellation.

2. Consistent with requirements of the law and the covenants of applicable bond resolutions, the actual payment of funds by the Board to the Issuer will not take place until the Board has assurance the funds will be used for Project costs and the Project will actually be completed. To assure this, all monies to be expended on the Project shall be placed in an escrow account supervised by the Issuer and the Board. A copy of the proposed escrow agreement shall be submitted to the Board and the Board's attorney for review.

3. At the time of the adoption of the bond resolution, the Issuer shall have passed an ordinance or resolution establishing reasonable electricity rates and collection enforcement remedies, taking into account many factors including the need to have sufficient revenue income for all outstanding electric system debts, operation and maintenance costs, and any reserve funds. It will then be necessary to implement effective collection procedures. A copy of the rate ordinance and collection enforcement procedures shall be submitted to the Board and the Board's attorney for review.

4. Rights-of-way and easements for construction, and operation and maintenance of the Project shall be acquired. The Issuer, through its engineer, shall furnish its attorney a right-of-way map showing the location of all buildings, structures, power lines, and other pertinent facilities in the Project. This map will be signed by the engineer and presiding officer of the Issuer.

5. The Issuer's attorney shall certify the following items in writing to the Board:

(a) The Issuer is a legal entity.

(b) The Issuer has valid legal title to the rights-of-way designated and shown on the right-of-way map, including rights-of-way both for the Project to be constructed and the remainder of the existing electric system.

(c) The Issuer complied with all applicable statutes, ordinances, rules and regulations relating to the bidding of the Project, and the contract documents for the construction of the Project have the proper and legal format and are in compliance with the Utah Code Annotated 1953 (Title 34, Chapter 30).

(d) After the completed and executed construction contract, along with the performance and payment bonds and evidence of necessary insurance, has been reviewed by the Issuer's attorney, the Issuer's attorney shall furnish to the Board his legal opinion that all of such items are legal and binding and in compliance with the Utah Code.

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A draft of this letter shall be submitted to the Board and the Board's attorney not later than two weeks after the adoption of the bond resolution.

6. As a condition to the acceptance by the Board of a non-voted revenue bond, the Issuer must (a) publish notice and conduct a public hearing consistent with the requirements of the Utah Local Government Bonding Act, and (b) mail notices to System users in the Issuer's service area informing them of that public hearing. In addition to the time and location of the public hearing, the notices which are mailed to System users shall inform System users of the Issuer's intent to issue a non-voted revenue bond to the Board, shall describe the face amount of the Bond, the rate of interest, the repayment schedule and shall describe the impact of the Project. User charge rates and connection fees should be noted in that notice. That notice shall state that System users may respond to the Issuer in writing or in the public hearing. A copy of all written responses and a certified record of a public hearing shall be forwarded to the Board. If the Board feels that there is significant opposition to the proposed Project, or if required by the Utah Local Government Bonding Act, it may be necessary for the Issuer to hold a bond election before the Board's funds will be made available.

In order to facilitate the timely completion of the financial assistance requirements outlined in this letter, the Issuer and its attorney and engineer should submit all of the items listed in the numbered paragraphs above no later than 30 days before the bond closing.

Pursuant to Board policy, the loan authorization described in this letter shall remain valid for a period of six (6) months after the date of this letter. If the Bond closing does not occur within that 6-month period, the Board may require the Issuer to appear before the Board to explain why that closing has not occurred. The Board may thereafter cancel this loan authorization if the Board determines that additional delays are not justified.

These requirements will probably not cover all the matters pertaining to the Project. We anticipate that specific questions on matters relating to your Project will arise, and we are confident that a joint cooperative effort can resolve the issues.

If you have any questions concerning these requirements, please contact me.

Sincerely,



Keith Heaton
Director of Community Development
Permanent Community Impact Fund Board

**TICABOO UTILITY IMPROVEMENT DISTRICT
PURCHASE EQUIPMENT - GENERATORS
Amortization Schedule**

Principal \$ 600,000.00
Interest 1.50%
Term (Years) 20
Periods Per Year 1
Payment \$34,947.44
Interest Starts Accruing 10/1/2014

PREPARED: 7/15/13 9:13 AM

Payment Number	Date	Beginning Balance	Payment	Interest	Principal	Ending Balance
1	10/1/2015	\$ 600,000.00	35,000.00	9,000.00	26,000.00	\$ 574,000.00
2	10/1/2016	574,000.00	34,610.00	8,610.00	26,000.00	548,000.00
3	10/1/2017	548,000.00	35,220.00	8,220.00	27,000.00	521,000.00
4	10/1/2018	521,000.00	34,815.00	7,815.00	27,000.00	494,000.00
5	10/1/2019	494,000.00	35,410.00	7,410.00	28,000.00	466,000.00
6	10/1/2020	466,000.00	34,990.00	6,990.00	28,000.00	438,000.00
7	10/1/2021	438,000.00	34,570.00	6,570.00	28,000.00	410,000.00
8	10/1/2022	410,000.00	35,150.00	6,150.00	29,000.00	381,000.00
9	10/1/2023	381,000.00	34,715.00	5,715.00	29,000.00	352,000.00
10	10/1/2024	352,000.00	35,280.00	5,280.00	30,000.00	322,000.00
11	10/1/2025	322,000.00	34,830.00	4,830.00	30,000.00	292,000.00
12	10/1/2026	292,000.00	35,380.00	4,380.00	31,000.00	261,000.00
13	10/1/2027	261,000.00	34,915.00	3,915.00	31,000.00	230,000.00
14	10/1/2028	230,000.00	34,450.00	3,450.00	31,000.00	199,000.00
15	10/1/2029	199,000.00	34,985.00	2,985.00	32,000.00	167,000.00
16	10/1/2030	167,000.00	34,505.00	2,505.00	32,000.00	135,000.00
17	10/1/2031	135,000.00	35,025.00	2,025.00	33,000.00	102,000.00
18	10/1/2032	102,000.00	34,530.00	1,530.00	33,000.00	69,000.00
19	10/1/2033	69,000.00	35,035.00	1,035.00	34,000.00	35,000.00
20	10/1/2034	35,000.00	35,525.00	525.00	35,000.00	-
			698,940.00	98,940.00	600,000.00	

TICABOO This is an estimate, actual balances may change based on payment dates.

GUIDE TO COMPLETION OF LOAN PROCESS

CONGRATULATIONS on obtaining a commitment from the Utah Permanent Community Impact Fund Board for financial assistance relating to your Project.

The CIB's commitment to provide that financial assistance requires the Borrower to complete a number of steps before funds will be made available. For Borrowers who have not been involved in this process before, the steps may seem confusing. The purpose of this Guide is to explain the process and to outline the actions that the Borrower will be required to take.

KEY REQUIREMENTS

Before the CIB can deliver funds, the following must occur:

1. The Borrower must adopt the necessary resolutions to authorize the issuance of its bond. The Borrower's bond attorney will assist the Borrower in this process.
2. The Borrower's engineer or architect must prepare plans and specifications for the Project and the Borrower must advertize for bids in a manner consistent with applicable procurement laws. (If a water or sewer project is involved, the Borrower must obtain the approval of the Division of Drinking Water or the Division of Water Quality before advertizing for bids.) The bond closing cannot occur until bids have been opened.
3. The Borrower must obtain title and/or easements and rights of way to the Project site.
4. If a revenue bond is involved, the Borrower must adopt rate ordinances that will generate sufficient funds to cover operation and maintenance expenses and the debt service on the bond and all other debts secured by those revenues.
5. If the project involves a water revenue bond, the Borrower's local attorney must render an opinion that the Borrower has valid legal title to the water rights used in connection with the operation of the Borrower's water system.
6. If other funds are necessary to cover the costs of the Project, the Borrower must demonstrate that those other funds will be available at the time the CIB delivers its funds.

All of these actions can proceed simultaneously, but the CIB cannot deliver funds until all of these actions have been completed.

THE LOAN AUTHORIZATION LETTER

After the CIB has approved the financial assistance for your Project, you will receive a letter from the CIB setting forth the terms of the loan and listing the conditions which must be satisfied before the CIB will deliver funds.

You should review that loan authorization letter carefully. If you have any questions about the letter, you should contact, Mr. Keith Heaton, Director of Community Development, at (801) 526-9461.

THE BONDING PROCESS

A bond is similar to a promissory note. It is an instrument by which the Borrower agrees to repay the loan under the terms approved by the CIB.

Unlike an individual or a private company, a governmental entity must comply with certain constitutional and statutory requirements in order to incur debt. In order to ensure compliance with those requirements, the Borrower must retain a nationally-recognized bond attorney or firm to assist the Borrower in preparing the appropriate resolutions and documents. (The Borrower's local attorney cannot act as bond counsel unless the local attorney is a nationally-recognized bond attorney.) Attached is a list of nationally-recognized bond attorneys or firms who practice in the State of Utah.

A typical bond transaction involves the following steps:

1. The Borrower adopts a "Parameters Resolution" setting forth the maximum parameters for the bond to be issued. At the meeting at which that Resolution is adopted, the governing board of the Borrower also calls for a public hearing relating to the issuance of the bond.
2. After the Parameters Resolution is adopted, the Borrower publishes a notice of the public hearing in a newspaper once a week for two succession weeks and posts notice of the public hearing on the Utah Public Notice Website (www.pmn.utah.gov). The first of those two publications must be no less than 14 days prior to the date of the public hearing. (If a water or sewer project is involved, written notice must also be sent with utility bills advising customers of the date of the public hearing and giving them information about the bond and its impact on water and sewer rates.) The bond closing cannot occur until 30 days have expired after the second publication of the notice.
3. The public hearing is conducted. Minutes of that meeting and copies of any written comments received are sent to Mr. Keith Heaton.
4. After the public hearing, the Borrower adopts a Final Bond Resolution or Master Resolution setting forth the actual terms of the bond.
5. The Borrower's bond attorney prepares the bond closing documents.

Once all of these steps have been completed, a bond closing will be scheduled, assuming that the other requirements (e.g., bidding, acquisition of rights-of-way, securing other funds) have been satisfied.

Because the Local Government Bonding Act imposes certain notice and hearing requirements, the bonding process typically takes at least 6 to 8 weeks to complete. Therefore, it is recommended that the Borrower retain a bond attorney as soon as possible after the Borrower receives the loan authorization letter. The bond attorney will assist the Borrower in completing the actions needed in order to issue the bond.

PROJECT DESIGN AND BIDDING

The Project must be constructed on the basis of competitive bids, conducted under a bidding process that complies with applicable procurement laws, and the bond closing cannot occur until bids for the construction of the Project have been opened.

The following actions should be taken:

1. The Borrower's engineer or architect should develop plans and specifications and a bid package for the Project. If the Project involves a water or sewer project, those plans and specifications must be approved by the Utah Division of Drinking Water or the Utah Division of Water Quality before the Borrower advertizes for bids.
2. Because the Borrower's local attorney must opine that the bidding process was conducted in a manner consistent with applicable procurement laws, the Borrower's local attorney should be given an opportunity to review the bid package before the Borrower advertizes for bids.
3. Once bids have been opened, a bid tabulation should be sent to Mr. Keith Heaton.

Before awarding the construction contract to the successful bidder, the Borrower should be aware of the following cautions:

The contractor that will construct the Project must supply a payment and performance bond, as required by State law.

The CIB will not deliver funds until the bonding process has been completed and the Borrower has satisfied the other loan conditions. The Borrower should not award the contract until those conditions have been satisfied.

The CIB will not close on the bond until the Borrower demonstrates that available funds are adequate to cover the cost of the Project and the cost of the issuance of the bond. If bids come in higher than anticipated, the Borrower should not award the contract until additional funds are secured – which may take quite some time to arrange.

OBTAINING EASEMENTS, RIGHTS-OF-WAY AND WATER RIGHTS

The bond closing cannot occur until the Borrower has secured all easements, rights-of-way, property rights and permits needed to construct the Project. In addition, if a water or sewer revenue bond is involved, the Borrower must demonstrate that it has valid title to the easements and rights-of-way for the operation of the remainder of the Borrower's water or sewer system.

As soon as the plans and specifications for the Project have been completed, the Borrower should proceed with the acquisition of those easements, rights-of-way, property rights and permits.

Because the Borrower's local attorney will be required to opine that the Borrower has secured all of those easements, rights-of-way, property rights and permits, the Borrower should involve its attorney in this process as soon as possible.

If a water revenue bond is involved, the Borrower's local attorney should also conduct such research and other due diligence needed to allow the attorney to render a legal opinion that the Borrower has valid legal title to the water rights used in connection with the operation of the Borrower's water system.

DEMONSTRATING ADEQUATE REVENUES

If the Borrower intends to issue a "general obligation bond," the Borrower must conduct a bond election before the Borrower can issue the bond. Obviously, this affects the timing for the issuance of the bond.

If the Borrower intends to issue a "revenue bond," a bond election is not required, but the Borrower must demonstrate that the revenues from the system that will generate those revenues is sufficient to cover the operation and maintenance expenses of that system and to cover the debt service on all bonds or other obligations secured by those revenues. The Borrower must demonstrate that the net revenues of the system (i.e., the gross revenues minus operation and maintenance expenses) equals or exceeds 125% of the debt service on all obligations secured by the revenues.

If the Borrower needs to increase its rates for services of the system in order to meet these requirements, the Borrower must adopt a rate ordinance or resolution prior to the bond closing.

SECURING OTHER PROJECT FUNDS

The loan authorization letter will show the CIB's understanding of the source of the funds that will be made available for the construction of the Project. The bond closing cannot occur until all of those funds have been secured.

If the Borrower is contributing cash for the Project, the Borrower should be prepared to deposit that cash into the construction escrow agreement at the time of the bond closing. (If the Borrower has already expended its own funds on legitimate Project costs prior to the bond closing, it can receive a credit against its share of the Project costs if it provides evidence of those expenditures.)

If the Borrower is making an "in kind" contribution to the Project, it must provide evidence of the value of that contribution.

If any agency, entity or person (other than the Borrower and the CIB) is contributing funds for the Project, those funds must be secured prior to the bond closing.

BOND CLOSING

Once all six of the key requirements have been satisfied, the Borrower's bond attorney will schedule the bond closing. At the bond closing, officials of the Borrower will sign the closing documents and the bond certificate, the Borrower's local attorney and bond attorney will sign the legal opinions and the CIB will deliver a check for the loan proceeds. Those proceeds, together with the other project funds, will be deposited into the escrow account.

At that point, the Borrower can proceed with the construction of the Project.

DISBURSEMENT OF BOND PROCEEDS

As construction of the Project proceeds, funds will be disbursed from the escrow account on the basis of written authorizations signed by one representative of the Borrower and one representative of the CIB. This disbursement process will be explained to the Borrower at the bond closing.

THE FINANCING TEAM

The completion of the actions described above requires the coordination of all of the members of the financing team, which includes:

1. One or more representatives of the Borrower;
2. Keith Heaton, representing the CIB;
3. The CIB's bond attorney, Bill Prater;
4. The bond attorney selected by the Borrower;
5. The Borrower's project engineer or architect;
6. The Borrower's local attorney; and
7. The Escrow Agent selected by the Borrower.

The Borrower is encouraged to supply copies of the loan authorization letter and this Guide to its bond attorney, local attorney and project engineer or architect as soon as possible so that these key members of the financing team will have an understanding of what needs to be done in connection with this Project.

TIMING

With proper coordination, the bond closing could occur as soon as 6 to 8 weeks after the Borrower starts the bonding process. However, all of the key requirements must be satisfied before the bond closing can occur. Therefore, the actual timing of the bond closing is often affected by the amount of time the Borrower needs to bid the Project, acquire the easements and rights-of-way and adopt appropriate rate ordinances.

MORE INFORMATION

If the Borrower has any questions about this process, the Borrower should contact Mr. Keith Heaton to obtain more information. Mr. Heaton can be reached as follows:

Mr. Keith Heaton, Director of Community Development
UTAH PERMANENT COMMUNITY IMPACT FUND BOARD
140 East 300 South, Fourth Floor
Salt Lake City, Utah 84111
Telephone: (801) 526-9461
Email: kheaton@utah.gov

UTAH MUNICIPAL BOND ATTORNEYS
(May 2013)

Ballard Spahr Andrews & Ingersoll

201 South Main Street, Suite 600
Salt Lake City, Utah 84111-2221
801-531-3000 801-531-3001 (fax)

Contacts

Randy Larsen 801-531-3079
Cindy Arnold 801-531-3088
Laurie Tuttle 801-517-6838

Chamberlain Associates

225 North 100 East
Richfield, Utah 84701
435-896-4461 435-896-5441 (fax)

Contacts

Richard Chamberlain 435-896-4461
Susan Baxter 453-896-4461

Chapman & Cutler

201 South Main Street, Suite 2000
Salt Lake City, Utah 84111
801-533-0066 801-566-9595 (fax)

Contacts

Richard Scott 801-536-1401
Eric Hunter 801-536-1441
Ryan Bjerke 801-536-1426

Blaisdell & Church

5995 South Redwood Road
Taylorsville, Utah 84123
801-261-3407 801-261-3503 (fax)

Contacts

Eric Johnson 801-261-3407 ext 3
Richard Jones 801-261-3407 ext 5
