

CEDAR GROVE WATI



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P. O. Box 429, LAKESIDE AZ 85929 (520) 537-8799

2001 DEC -4 A 11: 04

Arizona Corporation Commission
1200 West Washington
Phoenix AZ 85007

AZ CORP COMMISSION
DOCUMENT CONTROL

December 3, 2001

Re: Docket # W-02597A-00-0960 Cedar Grove Water, Financing Application.

Dear Commission,

Please file this loan agreement with Cedar Grove Water Application for Permanent Rate Increase and Financing Application at the above referenced number.

Thank you, for your help in this matter.

Sincerely,

Mark Grapp

Arizona Corporation Commission

DOCKETED

DEC 04 2001

DOCKETED BY	
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RECEIVED JUL 26 2001

GENERAL BORROWING RESOLUTIONS

TO: WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA

THIS IS TO CERTIFY that, at a meeting of the Owners of Cedar Grove Water, a solely owned private water company duly organized and existing under the laws of the State of Arizona, which meeting was properly and duly called, and held on the 6th day of July, 2001, at which meeting both owners were present and those present constituted a legally sufficient number qualified to act and transact matters as outlined below, the following Resolutions were adopted and the same have not been altered, amended or revoked:

RESOLVED THAT this company is hereby authorized and empowered to enter into a loan transaction with WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA ("Lender") and borrow pursuant thereto, and that, Mark Grapp, the Owner and Manager of this company, is hereby authorized and empowered to act on behalf of this company, and in such capacity such owner is authorized and empowered to borrow from time to time on behalf of, and in the name of, the company from Lender such sums of money as such authorized person may deem expedient, not exceeding in the aggregate at any one time the principal sum of One Hundred Twenty Thousand and No/100 Dollars (\$120,000.00), on such terms and conditions as such authorized person so acting hereunder may approve, including, without limitation, conferring the power to appoint a receiver, and to pledge, set over, transfer, assign, mortgage, hypothecate, grant security interests in, and otherwise encumber as security for the repayment of each of such loans, any assets of the company as may be required and agreed upon between such authorized person and Lender, and to execute and deliver to Lender on behalf of, and in the name of, the company, the company's evidence(s) of indebtedness stating the company's promise and obligation to pay said principal sum(s), together with any other amounts which may be provided for in such instrument(s) evidencing said indebtedness and from time to time, when any obligation evidencing any of such loans matures, to renew the loan(s) in whole or in part until the same are paid in full; and

FURTHER RESOLVED, that such authorized person be, and he is hereby, authorized and empowered to execute on behalf of, and in the name of, the company from time to time loan agreements, instruments granting Lender a security interest in any assets of the company, and supplements to each, together with any and all other security agreements, instruments and documents as may be required and agreed upon between such person and Lender or which such person may deem expedient in carrying out the intents and purposes of the Resolutions set forth herein; and

FURTHER RESOLVED, that these Resolutions relate solely to general company borrowing and do not in any manner whatsoever limit the amount of any company borrowing heretofore or hereafter made under any other financing arrangement, and that these Resolutions are mutually exclusive, cumulative as to amounts and shall not serve to revoke or alter any Resolutions previously

delivered to Lender or (unless specifically otherwise provided) be revoked by any Resolutions subsequently delivered to Lender relating to general or specific financing arrangements between Lender and the company; and

RESOLVED FURTHER, that for action of the Lender in reliance thereon, the Owner of this company certify and deliver to the said Lender a copy of these Resolutions, and that these Resolutions shall remain in full force and effect until written notice of their repeal shall have been received by Lender and until all indebtedness which may have been incurred as aforesaid shall have been paid and satisfied.

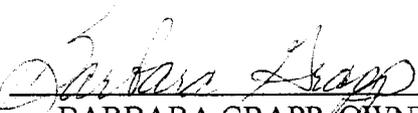
WE FURTHER CERTIFY that the authority conferred is not inconsistent with the Laws of the State of Arizona or the State wherein this company is located.

IN WITNESS WHEREOF, the Owners of this company have hereunto set their hands officially and affixed the seal of this company this 6th day of July, 2001.



MARK GRAPP, OWNER

ATTEST:



BARBARA GRAPP, OWNER

***Loan Resolution 2001-005 – Cedar Grove
Water Infrastructure Finance Authority of Arizona***

Section 1: Resolution

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from Cedar Grove (the "*Local Borrower*") a request for a loan (the "*Loan*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1201 et seq. (the "*Act*") and the rules promulgated thereunder (the "*Rules*"); and

WHEREAS, the terms and conditions under which a Loan will be made and the obligations of the Local Borrower with respect to its Loan will be set forth in a loan agreement or bond purchase agreement (the "*Loan Agreement*") to be executed by the Local Borrower and the Authority.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE AUTHORITY AS FOLLOWS:

The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with the Local Borrower to evidence a Loan in accordance with the Act, the Rules, the Local Borrower's applications to the Authority, and the Project Summary detailed in Section 2 of this Loan Resolution.

The Executive Director and other Authority officials, as appropriate, are authorized and directed to sign any document and take such actions as necessary and appropriate to consummate the transactions contemplated by this Resolution and the Loan Agreement and to ensure that the Local Borrower has completed all requirements of the Authority as detailed in Section 3 of this Loan Resolution.

This Resolution shall take effect immediately and shall terminate one year from the date of Board Action.

Dated: May 8, 2001

By: John F. Jimbo
Chairman

Attest: Hegarty
Executive Director

***Loan Resolution 2001-005 – Cedar Grove
Water Infrastructure Finance Authority of Arizona***

Section 2: Project Summary

2.1 Project Number(s)

DW 092-2001

2.2 Project Priority List Ranking(s)

DWRF #55 in Funding Cycle 2001

2.3 Project Description(s)

Phase 1: Water System Interconnect

CGW proposes to interconnect the three water systems to streamline delivery and ensure a reliable backup water source.

Phase 2: Water Storage Tank

CGW proposes to install a new 250,000-gallon water storage tank.

2.4 Previous Board or Committee Actions

None

2.5 Project Finance Committee Recommendations

Not reviewed by Project Finance Committee.

***Loan Resolution 2001-005 – Cedar Grove
Water Infrastructure Finance Authority of Arizona***

Section 3: Terms & Conditions

3.1 Terms

Financial Assistance Amount\$120,000
Combined Interest & Fee Rate.....Set in accordance w/WIFA Procedure A.004.2
Primary Repayment SourceWater System Revenues
Secondary Repayment SourceLien on all assets of the company
Loan Structure.....Non-Governmental Level 2 – Fixture Filing
Agreement with fixed monthly payments

3.2 Conditions Prior to Loan Execution

- a) CGW will need to submit to WIFA's Technical Coordinator a report showing significant compliance from ADEQ for the existing Notice of Violation. CGW will inquire to ADEQ regarding the Monitoring Assistance Program (MAP).
- b) CGW must obtain debt authorization from the ACC.
- c) CGW must receive sufficient rate increases from the ACC to meet WIFA debt service coverage requirements.

3.3 Conditions Prior to Loan Disbursements for Construction

CGW will submit to WIFA's Technical Coordinator engineering plans for the proposed improvements and an Approval to Construct for the system interconnect and the storage tank. CGW will submit an Approval of Construction for the system interconnect and the storage tank prior to the release of the WIFA withholding.

3.4 Project Observation Schedule

Construction Observation Schedule C

**LOAN AGREEMENT BY AND BETWEEN
WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA**

AND

Cedar Grove Water

Dated August 10, 2001

**WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA
LOAN AGREEMENT**

This Loan Agreement (as it may be amended or supplemented from time to time, this "Agreement") is made and entered into as of the date set forth below by and between Borrower and Lender set forth below.

This Loan Agreement includes the attached Exhibits and the attached Standard Terms and Conditions. Any capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Exhibits and Standard Terms and Conditions.

Section 1. Party Names And Addresses.

Borrower:	Cedar Grove Water
Borrower Mailing Address:	P.O. Box 426 Lakeside, Arizona 85929
Attention:	Mark Grapp
Borrower Business Office Street Address:	9280 Wilderness Drive Lakeside, Arizona 85929
Lender:	Water Infrastructure Finance Authority of Arizona
Lender Address:	202 E. Earll Drive, Suite 480 Phoenix, Arizona 85012
Attention:	Executive Director

Section 2. Loan Information. The terms of the Loan include the terms set forth in the Exhibits, which are part of this Agreement:

Exhibit A	Financial Assistance Terms and Conditions
Exhibit B	Technical Terms and Conditions
Exhibit C	Reporting Requirements
Exhibit D	Debt Service Reserve and Replacement Reserve Provisions
Exhibit E	Limits on Additional Indebtedness without Lender Consent
Exhibit F	Form of Promissory Note
Exhibit G	Form of Opinion of Counsel to Borrower
Exhibit H	Borrower Disclosure

Section 3. The Loan. Subject to the terms and conditions of this Agreement, Lender agrees to make the Loan to Borrower by means of one or more advances ("Advances") in an aggregate principal amount not to exceed the Loan Amount (the "Commitment"). The unadvanced portion of the Commitment shall expire on but not include the earliest of (i) the date on which the Loan

has been fully advanced by Lender, or (ii) the first Principal Repayment Date set forth in the Exhibit A. The obligation of Borrower to repay the Loan is evidenced by the Promissory Note in the form attached hereto as Exhibit F, dated of even date herewith, of Borrower payable to Lender, as it may be amended, modified, extended, renewed, restated, or supplemented from time to time (the "Note"). In the event of a conflict between the Note and this Agreement, the terms of this Agreement shall be deemed controlling. The Loan shall not constitute a revolving loan, and amounts repaid may not be reborrowed.

Section 4. Advances. Lender may disburse funds by check, by electronic means or by means of magnetic tape or other transfer medium. In making Advances, Lender shall be entitled to rely upon, and shall incur no liability to Borrower in acting upon, any request made by a person identifying himself or herself as one of the persons authorized by Borrower to request Advances. Advances of the Loan will be made only upon satisfaction of the conditions set forth in this Agreement, including the following:

(a) Lender has received a draw request from Borrower, in form and substance satisfactory to Lender, not less than ten (10) days prior to the date for which such Advance is requested, specifying the amount and purpose of the Advance requested. Lender will furnish an acceptable form of draw request to Borrower. Lender may revise the form of draw request from time to time.

(b) Except as hereinafter provided, disbursements shall be made only upon certification of an authorized officer of Lender that such disbursement is proper. An authorized officer of Lender shall approve disbursements in payment of the invoices, demands for payment, approved contractors' estimates or other evidence of cost incurrence directly to the persons or entities entitled to payment or to Borrower in the case of reimbursement for costs of services already paid, and shall provide Borrower with a copy of the approval and the date approved.

(c) Lender has received such other items or documents as Lender may reasonably require.

Section 5. Payment Of Principal, Interest And Fees. The outstanding principal balance of the Loan, together with all unpaid accrued interest due under the Note, shall be paid by "automatic debit" from the Borrower Deposit Account. The Borrower Deposit Account shall be a Demand Deposit Account in the name of the Borrower, Account Number [Borrower to Provide] maintained with [Borrower to Provide]. Borrower shall cause monthly payments to be made by direct debit to the Lender in accordance with routing instructions within Exhibit A.

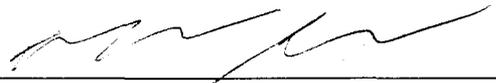
Section 6. Loan And Security Documents. The Loan shall be secured by the Continuing Security Agreement of even date herewith executed by Borrower for the benefit of Lender (the "Continuing Security Agreement") granting Lender a security interest in the collateral described therein by the provisions of this Agreement providing for the holding of, and granting Lender a security interest in, the Debt Service Reserve Fund and the Replacement Reserve Fund (as described in Exhibit D). The Continuing Security Agreement, any Deed of Trust and any other agreements, documents or instruments securing the Loan are referred to as the "Security Documents". This Agreement, the Note, the Security Documents and any other agreements,

documents or instruments evidencing, securing or otherwise relating to the Loan, and all exhibits thereto, are referred to as the "Loan Documents".

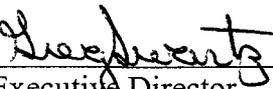
IN WITNESS WHEREOF, the Authority and Borrower have caused this Loan Agreement to be executed and delivered as of the date of execution hererof.

DATED as of August 10, 2001.

Cedar Grove Water

By: 
Name: Mark Grapp
Title: Owner

Water Infrastructure Finance Authority of Arizona

By: 
Executive Director

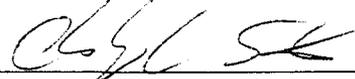
By: 
Finance Director

Exhibit A of Loan Agreement

Section 1: Financial Assistance Terms and Conditions
Grove Water Company
26-Jul-01

Loan Number..... 920033-02

Closing Date..... 08/10/01

Financial Assistance Terms and Conditions

Original Loan Amount as of the Closing Date..... \$ 120,000.00
Final Loan Amount as of Release of Retention..... \$ 120,000.00
Loan Term..... 20
First Fixed Monthly Payment..... 03/01/02
Final Fixed Monthly Payment..... 08/01/21

Debt Service Reserve Fund Requirements (Held by WIFA)

Total Reserve Amount..... \$ 9,705.06
Monthly Deposit..... \$ 161.75
Reserve Funded by (Date)..... 02/01/07

WIFA will apply earnings on Debt Service Reserve to Principal Repayment.

Repair and Replacement Fund Requirement (Held by Borrower)

Begin Funding on (Date)..... 03/01/07
Annual Amount..... \$ 1,941.01
Monthly Deposit..... \$ 161.75

Monthly Payment

Period #7 - 1st Debt Service Payment

Maximum Payment (Includes interest payable from Closing to 1st Payment)..... \$ 3,863.26
Minimum Payment..... \$ 970.51

WIFA will calculate the first payment due on Period #7; payment will depend on actual loan draws.B7

Periods #8 through #66..... \$ 970.51
Periods #67 through #120..... \$ 808.76
Periods #121 through #180..... \$ 808.76
Periods #181 through #240..... \$ 808.76