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Attorney for Applicant

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AZ CORP COMMISSION  
DOCKET CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

In the Matter of the Application of  
Shepard Water Company for Financing  
Approval

Docket No. W-01537A-99-0100  
W-01537A-99-0296

**NOTICE OF FILING**  
**WIFA LOAN DOCUMENTS**  
**WATER SYSTEM UPGRADE**

Attached hereto are documents of the WIFA Loan No.: 920047-02 in the amount  
\$299,475 for the upgrade of the water system.

DATED: April 5, 2012.

Wade Noble  
Attorney for Applicant

Arizona Corporation Commission

**DOCKETED**

APR -6 2012

DOCKETED BY

## GENERAL BORROWING RESOLUTIONS

To: Water Infrastructure Finance Authority of Arizona

THIS IS TO CERTIFY that, at a meeting of the Board of Directors of Shepard Water Company, a corporation duly organized and existing under the laws of the State of Arizona, which meeting was properly and duly called in accordance with the Bylaws and Articles of Incorporation of said corporation, and held on the 24<sup>th</sup> day of January, ~~2001~~<sup>2002</sup>, at which meeting at least a quorum of said Board of Directors was 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 corporation 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, John Gura the President of this corporation, be, and he is hereby, authorized and empowered to act on behalf of this corporation, and in such capacity such officer is authorized and empowered to borrow from time to time on behalf of, and in the name of, the corporation from Lender such sums of money as such authorized officer or person may deem expedient, not exceeding in the aggregate at any one time the principal sum of Two Hundred Ninety-Nine Thousand Four Hundred Seventy-Five and No/100 Dollars (\$299,475), on such terms and conditions as such authorized person or officer 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 corporation as may be required and agreed upon between such authorized officer or person and Lender, and to execute and deliver to Lender on behalf of, and in the name of, the corporation, the corporation's evidence(s) of indebtedness stating the corporation'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 officer or person, be, and he is hereby, authorized and empowered to execute on behalf of, and in the name of, the corporation from time to time loan agreements, instruments granting Lender a security interest in any assets of the corporation, and supplements to each, together with any and all other security agreements, instruments and documents as may be required and agreed upon between such officer or person and Lender or which such officer or person may deem expedient in carrying out the intents and purposes of the Resolutions set forth herein; and

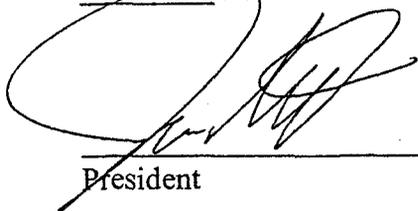
FURTHER RESOLVED, that these Resolutions relate solely to general corporate borrowing and do not in any manner whatsoever limit the amount of any corporate borrowing heretofore or hereafter made under any other financing arrangement, and that these Resolutions are mutually exclusive, cumulative as to 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 corporation; and

RESOLVED FURTHER, that for action of the Lender in reliance thereon, the Secretary of this corporation 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 corporation was chartered, nor the Charter or Bylaws of this corporation.

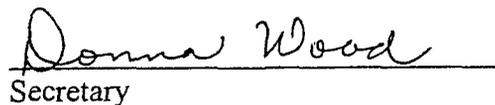
IN WITNESS WHEREOF, the President and Secretary of this corporation have hereunto set their hands officially and affixed the seal of this corporation this 24 day of, JAN ~~2002~~ 2001.



\_\_\_\_\_

President

ATTEST:



\_\_\_\_\_

Secretary

(SEAL)

Water Infrastructure Finance Authority of Arizona  
Resolution 2000-020 -- Authorizing the Execution of a  
Loan Agreement with the Shepard Water Company

WHEREAS, the Water Infrastructure Finance Authority of Arizona (the "*Authority*") has received from the Shepard Water Company (the "*Local Borrower*") a request for a loan (the "*Loan*") from the Drinking Water Revolving Fund (the "*DWRF*"); and

WHEREAS, the Authority has determined that the Local Borrower has met the requirements of Arizona Revised Statutes §49-1241 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; and

WHEREAS, in the interest of proceeding with financial assistance, the estimated Eligible Project Costs is an amount not to exceed \$299,475 at a rate equal to 6.26% for no more than 20 years.

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

SECTION 1. The Executive Director of the Authority is hereby authorized and directed to execute a Loan Agreement with Shepard Water Company to evidence a Loan not inconsistent with the Act, the Rules, the applications to the Authority of the Local Borrower or the approval thereof by the Authority or the requirements of the federal government.

SECTION 2. The Executive Director is further authorized and directed to complete the Loan Agreement by inserting in the Loan Agreement as applicable the final estimated Eligible Project Costs, Loan Disbursement Schedule, Estimated Repayment Principal Amount and Loan Repayment Schedule (as each of those terms are defined in the Loan Agreement).

SECTION 3. The Executive Director, members of the Board of Directors of the Authority, and other Authority officials, as appropriate, are each authorized and directed to sign any certificates and other documents and instruments and take such actions as are necessary or 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 prior to the Loan Closing, subject to the following conditions:

- (a) Prior to Loan Execution, Shepard Water Company must create a demand direct deposit account for fixed monthly debt service payments to WIFA, and
- (b) Prior to Loan Execution, Shepard Water Company must agree to execute loan documents consistent with a Level 4 - Personal Guaranty and agree to the specific, general, and standard terms and conditions contained therein, and
- (c) Prior to Loan Execution, Shepard Water Company must have in place or obtain insurance appropriate to the size and scope of the facility and its operations, and
- (d) Prior to Loan Disbursements for Construction, Shepard Water Company with the assistance of WIFA

Staff, must conduct an archaeological assessment at well sites on state land, and

- (e) Prior to Loan Disbursements for Construction, Shepard Water Company must obtain approval to construct from the Arizona Department of Environmental Quality, and
- (f) Prior to Loan Disbursements for Construction, Shepard Water Company must demonstrate that the new well sites provide sufficient quantities of drinking water that satisfies the Safe Drinking Water Act requirements, and
- (g) Prior to Loan Disbursements for Phase 2, Shepard Water Company must provide evidence that Phase 1 has been completed and approved by the Arizona Corporation Commission.

SECTION 4. This Resolution shall take effect immediately.

Dated: September 5, 2000

WATER INFRASTRUCTURE FINANCE  
AUTHORITY OF ARIZONA

By John J. Fisher  
Chairman

Attest:  
Shepherd  
Executive Director

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

**Shepard Water Company**

**Dated January 25, 2002**

**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:	Shepard Water Company
Borrower Mailing Address:	Star Route #4, Box 41 Martinez Lake, Arizona 85365
Attention:	John Guth
Borrower Business Office Address:	Star Route #4, Box 41 Martinez Lake, Arizona 85365
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 0078295384 maintained with Compass Bank, 1599 S. 4th Ave, Yuma, Arizona 85364. 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 January 25, 2002.

Shepard Water Company

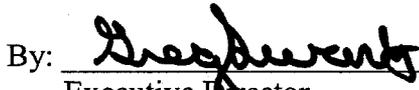


By: \_\_\_\_\_

Name: John Guth

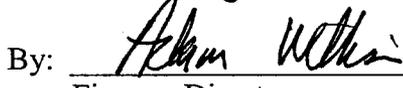
Title: President

Water Infrastructure Finance Authority of Arizona



By: \_\_\_\_\_

Executive Director



By: \_\_\_\_\_

Finance Director

**Exhibit A of Loan Agreement**

**Section 1: Financial Assistance Terms and Conditions**  
**Shepard Water Company**  
**24-Jan-02**

**Loan Number**..... 920047-02

**Closing Date**..... 01/25/02

**Financial Assistance Terms and Conditions**

Original Loan Amount as of the Closing Date..... \$ 299,475.00  
Final Loan Amount as of Release of Retention..... \$ 299,475.00  
Loan Term..... 20  
First Fixed Monthly Payment..... 08/01/02  
Final Fixed Monthly Payment..... 01/01/22

**Debt Service Reserve Fund Requirements (Held by WIFA)**

Total Reserve Amount..... \$ 26,627.98  
Monthly Deposit..... \$ 443.80  
Reserve Funded by (Date)..... 07/01/07  
*WIFA will apply earnings on Debt Service Reserve to Principal Repayment.*

**Repair and Replacement Fund Requirement (Held by Borrower)**

Begin Funding on (Date)..... 08/01/07  
Annual Amount..... \$ 5,325.60  
Monthly Deposit..... \$ 443.80

**Monthly Payment**

**Period #7 - 1st Debt Service Payment**

Maximum Payment (Includes interest payable from Closing to 1st Payment)..... \$ 10,786.56  
Minimum Payment ..... \$ 2,662.80

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

Periods #8 through #66..... \$ 2,662.80  
Periods #67 through #120..... \$ 2,219.00  
Periods #121 through #180..... \$ 2,219.00  
Periods #181 through #240..... \$ 2,219.00

**Section 2: Borrower Payment Instructions**  
**Shepard Water Company**  
**24-Jan-02**

**Automated Wire Transfer Instructions:**

Bank..... Bank of America  
Account Name..... WIFA Loan Collection Account  
Account Number..... 252-453614  
ABA Routing Number..... 122101706