

Five County Association of Governments

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MINUTES FIVE COUNTY ECONOMIC DEVELOPMENT DISTRICT REVOLVING LOAN FUND ADMINISTRATION BOARD TUESDAY, AUGUST 28, 2012

**WASHINGTON CITY HALL (ANCHOR LOCATION)
CITY COUNCIL CONFERENCE ROOM
111 NORTH 100 EAST - WASHINGTON, UTAH**

ATTENDING:

Nick Lang, Chair	HintonBurdick
David Grant	Entrepreneur, Metalcraft Technologies
Scott Jolley	Cedar Area Chamber of Commerce
West Martin	Town & Country Bank
Eric Clarke	Washington County Attorney's Office
Darrin Duncan	State Bank of Southern Utah
Commissioner Jim Matson, via telephone	Five County AOG Steering Committee
Paul Campbell	Senior Corps of Retired Executives (SCORE)
Ken Sizemore	Five County AOG
Gary Zabriskie	Five County AOG
Richard Holley, via telephone	Proficio Bank Finance Executive
John Holt, via telephone	Proficio Bank Vice President
David Curtis	Ticaboo Resort
Kim Bean	Ticaboo Resort

EXCUSED:

Wayne Shamo	Dixie Applied Technology College
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A. WELCOME, INTRODUCTIONS

Nick Lang, Chair, welcomed those in attendance. Those participating via conference call acknowledged their presence as follows: Commissioner Jim Matson, John Holt and Richard Holley, Proficio Bank.

B. APPROVAL OF AUGUST 14, 2012 MINUTES

Nick Lang indicated that a quorum was present to conduct business. He presented minutes from the August 14, 2012 meeting for Board discussion and consideration.

MOTION WAS MADE BY DAVID GRANT, SECONDED BY DARRIN DUNCAN, TO APPROVE MINUTES OF THE AUGUST 14, 2012 MEETING AS PRESENTED. MOTION CARRIED UNANIMOUSLY.

C. FORMAL DESIGNATION OF ERIC CLARKE AS VICE-CHAIR

Mr. Sizemore explained that because the designation of a Vice-Chair was not included on the agenda for the August 14, 2012 meeting, formal action is required at today's meeting to be in compliance with open meeting law.

MOTION WAS MADE BY WEST MARTIN, SECONDED BY SCOTT JOLLEY, TO DESIGNATE ERIC CLARKE TO SERVE IN THE CAPACITY OF VICE-CHAIR TO THE REVOLVING LOAN FUND ADMINISTRATION BOARD. MOTION CARRIED UNANIMOUSLY.

D. APPLICANT PRESENTATION

1. **TICABOO RESORT:** Mr. David Curtis indicated that the Board decision today will have a dramatic impact and the potential to spur economic development in eastern Garfield County. The owner has been involved in the real estate market for the past 15 years, but partnered with other individuals about six years ago to form a non-profit organization called Interweave. The purpose of Interweave is to create solutions that address poverty. The majority of work provided through this organization have operated in third world countries. His unique perspective is brought to this project. Upon visiting Ticaboo, he noticed that an asset was sitting idle. The asset has massive potential to spur economic development if operations were to be brought back online. Funds that will be provided through Proficio Bank is in the form of a SBA loan. As indicated at the previous meeting, the property contains multiple businesses. The primary business is the lodge and boat storage. A separately launched facility is currently operated inside the lodge. If he is able to get the convenience store building operational, it will provide the opportunity to house several different businesses within. The boat shop contains four separate bays as well as a store area and separate office area. Ticaboo has the potential to be an incubator for other entrepreneurs. Loan approval would transfer the property title from a foreign controlled mining company to an entrepreneur interested in seeing this property succeed.

These facilities have always been owned by a mining company. Information provided to the Board is based on the assumption that the uranium mining will not be in operation. The sole focus of the owner is to make the business work as an attraction to eastern Garfield County. This will be the first time that there will be fee simple commercial property in this area. All of the commercial properties in the area are sitting on government leased land through State Institutional Trust Land Administration (SITLA) or the National Park Service (NPS). He noted that the Revolving Loan Fund Board provided funding to the Ticaboo lodge in the early 1990s. The RLF would hold a first position lien on the two homes that have an assessed value of \$246,000. The Garfield County Assessor indicated that there have been no actions that would cause them to reassess the values of these properties. Five County would also hold a second lien on the commercial properties. The Proficio Bank approval is contingent upon the Five County RLF loan to provide gap financing for the project. The asset is small in nature to the mining conglomerate, and there is a high likelihood that the facility will sit vacant if this deal is not approved. There are no active uranium mining operations at this time to support their presence in the area. Abandonment of the commercial facilities could have a chilling affect on the community of Ticaboo. The owner sees a huge potential for having facilities operational to enhance opportunities in this area.

Mr. Curtis introduced Kim Bean, General Manager, of commercial properties that are currently in place. She provided background information including relocation of her family to the area and previous employment at Aramark at the north end of Lake Powell, including a move to manage the commercial properties at Ticaboo. If the loan is not approved today, the mining company will not continue operation of commercial facilities in the area. After Aramark closed the properties, she made sure that things were still maintained over the 18-month period of closure in order to preserve the facilities for the future occupancy. The commercial properties have been shown to several potential buyers since it was closed. The business has a very loyal customer base that visits the area. The importance of a steady income is significant for those living in Ticaboo. Having the commercial facilities operational on a year-round basis would provide huge economic benefits.

Board members questioned the availability of electric power in the community. It was noted that each individual entity is powered by their own diesel powered generators. An electric improvement district has been formed as well as a water, sewer and garbage special service district (SSD). It is anticipated that the ground breaking for a solar project will occur within the next few weeks. At the completion of this three phase project, solar power will be provided from Ticaboo all the way to the water at Lake Powell. This will have a huge impact on the commerce as well as the visibility of the community. The use of alternative energy in this area is a good fit and every business that is in place will be served by the solar power project. This is a combined effort between the Ticaboo Electric Improvement District and Solar Nation, which is the funding agency behind the project. The solar group has secured all of the funding and will provide the equipment. The solar project will be accomplished as follows: **1) Phase 1--** Provides service the National Park; **2) Phase 2--** Provides service to Ticaboo; **3) Phase 3--** Extends electricity out to the mines and mill; and **4) Phase 4--** Includes a night storage solution to retain power through the evening and cloudy times. There are no immediate plans to address Phase 4. Therefore, diesel generation will still have to occur on cloudy days. Mr. Curtis explained that Dennison Mines is in the process of selling the mine to Energy Fuels, but the mine will be kept on a standby status.

Scott Jolley pointed out that the appraisal report values the homes at \$140,000 which is much less than the assessed value stated previously. Mr. Curtis explained that the comparisons utilized in the appraisal were in the Blanding area. This is because of the fact that there have been no sales, other than mobile/modular homes, in the area for the past two years. Ms. Bean explained that there are eight stick built homes in Ticaboo and seven of those are occupied. The unoccupied home is owned by Dennison/Energy Fuels, but the home is still maintained. Members asked about the population of Ticaboo. Ms. Bean indicated that there is a seasonal population in addition to the 40-60 full time residents. All properties are maintained throughout the entire year. Several of the homes in the community are actually time shared by the owners. She estimated that approximately 30% of the mobile homes are occupied. The majority of the mobile homes are owned by Dennison/Energy Fuels to provide housing for their employees. Of those living in Ticaboo, a number of residents are retired, but the majority of the residents work for the National Park Service or one of the outlying employers in the area on a seasonal basis. Some individuals work to subsidize their retirement income and others draw unemployment during the off season. Negotiations have taken place with SITLA and the sale of the fee simple land has been approved. The community has water and sewer infrastructure available that will support a population of 5,000. David Grant mentioned that the Board felt that a reduction in the loan negotiated with Uranium One should be a consideration and wondered if the owner pursued this option. Mr.

Curtis responded that he has negotiated with Uranium One, but they feel that the negotiated price provided is only providing \$.30 on the dollar. If the deal does not close, the mine owner will sit on these properties as well. This particular company has ceased mining operations in the United States and has very few other mines that are currently in operation. It was also pointed out that Dennison/Energy Fuels and Uranium One have been unable to negotiate any common ground, even though the two mines are located in close proximity. When the mine was originally purchased, the commercial interest came along in the deal by default. Mr. Grant indicated that he would feel much better in making a loan to a businessman who's motive is to make money rather than being put on a guilt trip in terms of the demise of eastern Garfield County's economy. Mr. Curtis responded that he personally feels a stewardship to make a difference in doing business.

Darrin Duncan asked if contingency plans are in place for the business if things don't go as anticipated, and whether money could be moved from other businesses to subsidize this particular business. Mr. Curtis indicated that monies paid to him from his other business endeavors that could be used to cover a shortfall. He also pointed out that the boat storage consistently generates \$9,000 per month. The boat storage will be operated out of the lodge after the loan closing. Ms. Bean commented that the covered boat storage contains 54 spots that are always full and have a waiting list. The open storage is about 25-30% occupied. The covered slip storage at the Bullfrog Marina is expensive. Mr. Curtis noted that there is expansion potential within the 20-acre fenced area for additional boat storage.

Scott Jolley asked about the financial capability of Proficio Bank being able to finance the entire loan or decreasing Five County's participation to \$50,000 to create jobs. This would decrease the amount of funds being taken from Five County's total loan portfolio. Gary Zabriskie reported that the funding request to the RLF has decreased to \$150,000. John Holt, Proficio Bank, responded that it is unlikely that SBA and Proficio would be willing to take all of the risk on this deal. He noted that the bank feels good about the customer and thinks that the business will be successful. Scott Jolley asked if there would be other real estate or assets, in addition to the two homes located in Ticaboo, that would be readily available to Five County. In the event that the loan goes into default, it would be difficult to sell the homes. Mr. Curtis responded that his other businesses include partners and it would be hard to separate out any assets for collateral. Discussion continued in regard to any commitment by Five County and it was acknowledged that prior commitment of funds was not made by Five County staff. David Grant asked if the applicant would consider a loan from Five County for \$50,000 or if he wanted the entire \$150,000 or nothing. Mr. Curtis indicated that he would prefer all or nothing as a decision.

Nick Lang thanked the applicant and representatives from Proficio Bank for meeting with the Board to discuss the loan application. He indicated that staff would convey the Board's decision later today. It was noted that Commissioner Matson concluded his participation via telephone.

E. BOARD DISCUSSION AND DELIBERATIONS

Paul Campbell mentioned that rating for Proficio Bank is only one star which also indicated their asset quality. He noted that the bank has had a lot of lending problems, but would look at the SBA loan commission from selling loans. It was pointed out that this bank is in the business of

closing guaranteed loans and selling those loans to make a profit. The bank will pull anywhere from 12-15% premium on the guaranteed portion of the loan. A loan origination fee cannot be charged, but they can charge underwriting prep fees for the SBA guarantee.

Board members questioned the number of full time residents. Gary indicated that there are approximately 100 full time residents in the community of Ticaboo. Eric Clarke mentioned that the Garfield County Commissioners are very interested in seeing commercial endeavors in this area that could ultimately build a tourist base and provide tax revenue for the county. It was pointed out that electricity in the area is provided at a very high rate of \$.34 per kilowatt hour, one of the highest rates in the nation. Scott Jolley mentioned that it is somewhat concerning that 25 investors have driven to the area to look at the property and only one investor is interested. David Grant stressed the importance of staff training to prevent false expectations from loan applicants. Another concern expressed by Nick Lang, in terms of job creation, is the ability to actually create 10 full time jobs in this area. Staff noted that information regarding job creation was provided in the packet of information provided to Board members.

MOTION WAS MADE BY DAVID GRANT TO DENY THE LOAN TO TICABOO RESORT. MOTION WAS SECONDED BY SCOTT JOLLEY. MOTION CARRIED BY UNANIMOUS VOTE.

Board members continued discussion regarding the applicant's ability to bring on a partner into the deal to provide a better level of comfort in considering the deal. It was noted that the applicant has the opportunity to re-apply for a \$50,000 loan. Ken Sizemore mentioned that the applicant has a looming SITLA lease payment that comes due next week. At this point, the applicant will likely not make the lease payment, cut his losses and walk away from the deal.

F. DISCUSSION ON PENDING APPLICATIONS/MEETING DATES

Gary Zabriskie indicated that staff is currently working on some loans that may require another Board meeting toward the end part of September. Ken Sizemore reported that Innomark is working on a re-structure of their loan which would be the fourth RLF loan to this company. The company bottles tropical fruit products and is going into a new product line to granulate and capsulize their product. Two previous loans were paid back in full. The current loan has an outstanding balance of about \$42,000 that would be paid off. The new deal will include a total restructure, including the SBA and bank loans. The meeting packet will be provided via e-mail and will include a confirmation that information has been received by Board members. Depending on loan applications received, some of the upcoming meetings could be held in Cedar City. Meetings in St. George will normally be held at the Five County AOG office.

G. ADJOURN

The meeting adjourned at 3:25 p.m.