EMERY COUNTY

Keith Brady <keithb@emery.utah.gov>

FW: Update Memo and Term Sheet

2 messages

Holt, Jeff <jeff.holt@bmo.com> Wed, Mar 25, 2015 at 9:56 PM
To: "Jae Potter (jae.potter@carbon.utah.gov)" <jae.potter@carbon.utah.gov>, "Casey Hopes (casey.hopes@carbon.utah.gov)" <casey.hopes@carbon.utah.gov>, Jake Mellor <jake@mellorfinancial.com>, "Gary Mason (gmason@sevier.utah.gov)" <gmason@sevier.utah.gov>, "Garth \"Tooter\" Ogden (togden@sevier.utah.gov)" <togden@sevier.utah.gov>, "Gordon Topham (gtopham@sevier.utah.gov)" <gtopham@sevier.utah.gov>, "claudiaj@cut.net" <claudiaj@cut.net>, "keithb@emery.utah.gov" <keithb@emery.utah.gov>, "Malcolm Nash (mrnash@sevier.Utah.gov)" <mrnash@sevier.utah.gov>
Cc: "Hashimoto, Emily" <Emily.Hashimoto@bmo.com>, Jim Burr <burr@chapman.com>

Please Keep these confidential between the Counties involved.

Jeff holt

Jeffrey D. Holt

Managing Director

BMO Capital Markets Inc.

415-828-4396

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3 attachments

Bulk Export Terminal Term Sheet.docx
107K

March 26 Update Memorandum.docx
121K

US West Coast Multi Commodity Bulk Terminal - Teaser (March 2015) - v14.pdf
45K

Keith Brady <keithb@emery.utah.gov> Thu, Mar 26, 2015 at 11:30 AM
To: Ethan Migliori <EthanM@emery.utah.gov>, Paul Cowley <paulc@emery.utah.gov>

Please keep confidential. Here is the info regarding the Rail/Port, CIB, and the interlocal agreement.

Sincerely,

Keith Brady
Emery County Commissioner
480-239-7931
[Quoted text hidden]

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Preliminary Term Sheet
Multi-Commodity Bulk Export Terminal

- Terminal is located at Oakland Army Base
    - 30 acres
    - The site is a 66-year leasehold with the City of Oakland.
    - 50+2 - feet draft at the berth and in the channel
    - Rail access from UP and BNSF main lines
    - all railcar, loading, storage and conveyor facilities will be covered
    - will handle 9.5mm metric tons of bulk product per year, both white products (soda ash, potash, salt) as well as black product (coal) –
    - Coal not to initially exceed 49% of throughput on an annual basis – (internal policy only, not restricted by permits)
    - Terminal cost = $275mm
        - $50mm preferred equity
        - $200mm in debt (private placement)
        - $25 mm from local California sources (for site prep and some waterfront infrastructure).
    - The Terminal is (almost?) fully permitted
        - requires construction permits from the City of Oakland which are "administrative" only.
        - One BCDC permit on terminal design
        - the terminal was and always has been a bulk terminal

- Bowie Resource Partners (BRP) will be the Series A shareholder and will contribute throughput guarantees sufficient to secure $200 million in (un-rated) project debt.
- The Utah Counties will contribute $50mm in return for
    - 10% annual return
        - return is preferred
        - return is cumulative
    - throughput allocations in the terminal for commodities coming from Utah Counties
        - 49% of terminal throughput capacity
        - [Can we get more? Or do they need to assign the rest of the capacity to other parties get the $200 mm in debt placed?]
- County Partners in the terminal
    - Carbon– Lead [33%]
    - Sevier - [30%]
    - Sanpete – [12%]
    - Emery – [25%]
- The four Counties will apply to the CIB for a single $53,000,000 grant on April 1 to fund their contribution to the terminal and to secure the throughput allocations.
    - Proceeds to Terminal - $50,000,000
    - Expenses [up to $3mm]

- In return for the equity investment, the Utah Counties will be allocated [49]% of the throughput capacity in the terminal. Details on how that allocation would initially be divided and assigned between producers is TBD. Presumably Bowie will get the throughput allocations to their mines in the Counties, at least for some number of years.

- The terminal Operator, TLS will be created as a part of the business arrangement between the Counties, Bowie, and any other users that can be contracted ahead of time, and will own a 66-year operating concession on the terminal from the City of Oakland.

- BRP and the Counties, through their terminal operator, TLS, will work to negotiate and sign a construction agreement with Phil Tagami's CCI Group to complete the full design of the terminal and to then build the terminal.

  - The Counties will receive a quarterly return on their allocation contribution, on a preferred basis, out of the net income of the terminal operations, beginning on start of terminal operations. The return payment to the Counties will be preferred and will come ahead of all other distributions of profits. Such return payment will include:
    - TBD [per ton or fixed payment].
    - Such return payment is targeted to provide an annual cash-on-cash return of 10%, beginning at the start of operations.

- The Counties will form an interlocal agency within which they will decide the throughput allocations from time to time in consultation with BRP and the terminal operator, TLS.

- BRP and the Counties agree that the parallel investment in the new Sevier Railroad facility will be required in some fashion and will be cross-linked in order to assure that the railroad and the terminal will both be built.

- CIB Loan

  - The Counties, on behalf of the Interlocal Agency will work aggressively to bring a request for $50,000,000 (plus $3,000,000 in expenses) for the terminal project to the CIB for their April 2nd meeting.
  - Securing the $50,000,000 will demonstrate the legitimacy of the Counties as partners in large infrastructure, and will allow the project to seek and secure an additional $200,000,000 in project debt.
  - The CIB loan will be for 30 years at 2%, with payments to start only upon start of commercial operation of the terminal.
  - The CIB loan will be made to the Interlocal Agency formed by the Counties and the obligation will be non-recourse to the Counties.

- The Counties contribution will be convertible into [49%] of the proceeds from any sale of the terminal leasehold (only with the Counties approval – and presumably will all allocations to the Counties lock in for the duration of the Terminal Lease).

Memorandum
To: Carbon, Sevier, Sanpete, and Emery Counties
From: Jeff Holt, BMO Capital Markets Inc.
CC: Jim Burr

Date: 3/25/2015

Commissioner Potter suggested that I update the group on the progress on the Terminal Project.

- All the counties have had at least one representative visit the bay area to see the old bulk terminal that will be built into a new bulk terminal and to hear CCIG's (California Capital Investment Group) plans for the terminal lease to TLS (Terminal Logistics Solutions).
    - Carbon – Casey Hopes, Jae Potter and Jake Mellor
    - Sevier – Gary Mason, Tooter Ogden, Gordon Topham, Malcolm Nash
    - Sanpete – Claudia Jarrett
    - Emery – Keith Brady
    - Technical Team – Jeff Holt, Jim Burr
- Briefings for Senator Okerlund, Lt. Governor Cox and some members of the CIB are scheduled over the next few days.
- The request to CIB for funding has been submitted and the line item appears in the April 2nd agenda, which is not yet public but which includes $53,000,000 for the terminal project ($50,000,000 in investment proceeds and $3,000,000 in legal expenses, outside technical experts doing diligence on the project, advisory fees, and transaction costs).
    - A few Commissioners have asked about committing the funding now, when the full details of the Terminal partnership are not yet final, or in some cases, not yet determined. The commitment of funding from CIB is strictly to the four Counties (Carbon, Sevier, Sanpete and Emery), for a possible investment in the Terminal when and if the Counties finally conclude their structuring of the transaction and all negotiations relating to such. The CIB commitment only commits the funding to the four counties. It does NOT commit funding to the Terminal Partnership directly. Funding can only be committed by the four counties when and if the four Counties, acting through the Five County Infrastructure group (interlocal agency) have determined that the investment criteria are all final and to their satisfaction (which probably won't happen until sometime in June.)
    - The funding to the Counties is necessary now to show the debt investors in the terminal and the lessor of the land (CCIG) that the Counties are legitimate partners (with funds in hand) and committed to working through negotiations to a financial close, based on the business and legal terms that are concluded to the satisfaction of the Counties. The project partners spending all their money to advance the project needed to know that the Counties' funding is real.

- As you all know, the urgency of the CIB request is to allow the Terminal Project to be accomplished (financial close) prior to the expiration of TLS' option on the terminal site in July.
- The Private Sector Partner has clearly said that without the Terminal, they have no interest in guaranteeing throughputs on the railroad. Without the throughput guarantees from the Private Sector Partner, rail feasibility is unlikely. These two projects must be contractually linked in the negotiations.
- Many things need to be done prior to the commitment of the funds from the Counties to the Project:
  - Creation of the Five (or four if Juab does not want to join) County Group.
    - With two Projects on the group's program:
      - Multi-Commodity Bulk Export Terminal
        - Four of the five Counties participating.
        - Tentative percentages as follows:
          - Carbon – 33%
          - Sevier – 30%
          - Sanpete – 12%
          - Emery – 25%
      - Railroad from Levan to Salina
        - Three of the five Counties participating.
        - Tentative percentages as follows:
          - Sevier – 70%
          - Sanpete – 15%
          - Juab – 15%
      - Approval by the respective Counties
  - Business Terms to be negotiated between April 2 and July 1. Current Draft of the Counties' Term sheet is attached. Please review and raise any comments.
- A draft of the CIB presentation will be circulated in the coming days.
  - Sevier (a Commissioner), Carbon (Casey Hopes), and Emery (Keith Brady) should all be at the table. Additionally, Jeff Holt from BMO, as the Strategic Infrastructure Advisor to the Counties and Jim Burr from Chapman and Cutler will be at the presenting table. Jeff Holt will take the lead on the presentation to the Board. We are still discussing whether Mark McClure from CCIG should attend to answer any questions the CIB may have about the terminal development.

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Deep Draft West Coast Multi-Commodity Bulk Terminal

Project Highlights

Project Overview: Construction of a multi-commodity bulk handling marine terminal on the US West Coast

- Covered facility will reduce exposure to elements and enhance product quality for tenants' commodities
- Dome option allows for separate storage of different quality specs and blends

Asset Highlights: Air Quality and other key permits for the marine terminal are in place for all bulk commodities

- 50 foot draft provides a competitive advantage by reducing the per-ton shipping cost for bulk commodities
    - Panamax vessels can be fully loaded and cape-size vessels can be loaded to approximately 140,000 tons
    - Expands the market reach for regional bulk exporters
- Terminal jointly served by UP and BNSF, offering customers single rail service from virtually all Western US origins
- Proximity to open ocean generates significant value by lowering transit days
- The Project has received broad Governmental support

Project Economics: The Project will include multiple tenants with volume commitments

- Anchor tenant to provide a throughput pledge of approximately four million tons, sufficient to ensure about 2x stabilized EBITDA/Interest coverage
- Project should generate in excess of $40 million of stabilized EBITDA
- Revenue Consultant currently producing market projections
- Discussions with other prospective tenants are advanced

Borrower: The terminal operating company for the Project

ASSET SUMMARY

Location	West Coast, U.S.
Berths	2 berth
Terminal Acreage	~20 acres
Loading Rate	~9,000 tph
Depth	50 feet
Vessels Permitted	Panamax and Cape-Size
Capacity Estimate	9 mtpa
Project Size	~$250 million
Planned Debt for Project Construction	$175-200 million

Proposed Project Timeline

Project Design and Planning	Funding Commitments Required	Construction Begins	Terminal Operation Commences
March 2015	**May 2015**	***August 2015***	**July 2017**

Contact Information

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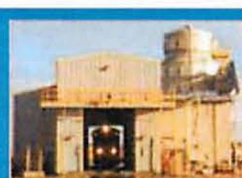
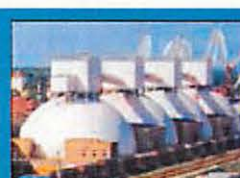

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