



June 27, 2022

Jason Simmons  
Hilltop Securities  
[Jason.simmons@hilltopsecurities.com](mailto:Jason.simmons@hilltopsecurities.com)

Ann Bruzzese  
PSMC  
[ann.bruzzese@psmedicalcenter.org](mailto:ann.bruzzese@psmedicalcenter.org)

Chelle Keplinger  
PSMC  
[Chelle.keplinger@psmedicalcenter.org](mailto:Chelle.keplinger@psmedicalcenter.org)

***RE: Private Placement for \$2,315,000 Upper San Juan Health Service District, Lease Purchase Financing or Certificate of Participation, Series 2022***

JPMorgan Chase Bank, NA (“Bank”) is pleased to submit this proposal for tax-exempt financing to Upper San Juan Health Service District (the “District”), dba Pagosa Springs Medical Center. This proposal is presented in the form of a binding “Term Sheet,” subject to negotiation and acceptance of all terms, conditions and documentation for the transaction. The Term Sheet signifies a commitment by Bank to extend credit or purchase the Certificate.

**FORM OF CERTIFICATE:**

Bank will require a single term certificate with annual principal payments equivalent to the preliminary maturity schedule, and without DTC registration. Bank will not require either a rating for the Certificate or the purchase of credit enhancement for repayment.

**USE OF PROCEEDS:**

The District seeks to purchase 2.3 acres of land together with an 8,605 square foot commercial building known as the “Pruitt Property”. The Pruitt Property is a corner lot located at the intersection of Highway 160 and South Pagosa Blvd. The Pruitt Property is bordered by District property with access via an easement through the entrance to Pagosa Springs Medical Center. The Pruitt Property served as one of the first medical office buildings in Pagosa Springs until Dr. Jim Pruitt, one of the first physicians to practice in Archuleta County, closed his practice in 2013. From 2014-2017, the District leased the Pruitt Property for administrative staff. The Pruitt Property is strategically located to serve the expanding space needs of the District.

**2022 LEASED PROPERTY**

The 2022 Leased Property will consist of the Pruitt Property being purchased with proceeds from the 2022 Financing.

**ELIGIBILITY:**

The Certificate will be designated as “bank qualified” tax-exempt obligations under the Code Section 265(b)(3).

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| <b>PRINCIPAL AMOUNT:</b> | Not exceeding \$2,315,000  |
| <b>FINANCING TERM:</b>   | Final maturity of December 1, 2037   |
| <b>REPAYMENT TERMS:</b>  | Fifteen (15) consecutive and unequal annual payments of principal on December 1, commencing December 1, 2023; and according to the preliminary amortization schedule included in the request for financing proposal; semi-annual payments of accrued interest on each June 1 and December 1, commencing December 1, 2022.  |
| <b>INTEREST RATE:</b>    | <p><i>The Certificate would accrue interest at a fixed rate per annum as set forth below based upon the option selected by the District, the rates provided below are based upon market conditions as of June 27, 2022. The actual rate of interest borne by the Bonds will be set by mutual agreement between Bank and the Issuer upon receipt of signed acceptance, which must occur within 45 days of closing.</i></p> <p>The interest rate will be fixed as described above, however, prior to acceptance, the interest rate may increase if the Bank's cost of funds increases. Bank's cost of funds may increase due to a number of factors including, but not limited to, changes in market conditions. Interest will be calculated on a 30/360 basis.</p> <p><b>OPTION A: Non-Callable BQ Tax-Exempt Fixed Rate of 3.13%</b></p> <p><b>OPTION B: Callable BQ Tax-Exempt Fixed Rate of 3.54%.</b> Optional redemption permitted subsequent to December 1, 2024, at par plus accrued interest and without penalty.</p> <p><b>OPTION C: Callable BQ Tax-Exempt Fixed Rate of 3.38%.</b> Optional redemption permitted subsequent to December 1, 2027, at par plus accrued interest and without penalty.</p> <p><b>OPTION D: Callable BQ Tax-Exempt Fixed Rate of 3.21%.</b> Optional redemption permitted subsequent to December 1, 2032, at par plus accrued interest and without penalty.</p> |
| <b>SECURITY:</b>         | The land and building constituting the 2022 Leased Property will be purchased by the District and then be leased by the District to the Lender or a Trustee in a Site Lease of approximately 25 years. The District will lease the Leased Property back from the Trustee or Lender under the terms of  |

a Lease Agreement for a period of approximately 15 years. Subject to annual appropriation, the District will make annual Base Rental payments to the Lender under the terms of the Lease. The Site Lease will terminate upon the earlier of the full payment of the Lease, or upon its expiration. Annually appropriated lease payments may be paid from any available revenues of the District, including all legally available revenues generated by the District. No provision of the Resolution, the Lease or the Site and Improvement Lease shall be construed as constituting or giving rise to a general obligation or other indebtedness or multiple fiscal year financial obligation of the District within the meaning of any constitutional or statutory debt limitation nor a mandatory charge or requirement against the District in any ensuing fiscal year beyond the current fiscal year.

**COVENANTS:**

A debt service reserve fund will not be required. The Loan and Lease Agreement will contain such covenants and representations as are customary in an annual appropriation Lease purchase financing.

**LEGAL OPINION:**

Bank will require District's bond counsel to deliver a legal opinion as to (i) validity and enforceability of the Certificate and the Lease Agreement under state statutes, and (ii) exemption of interest on the Certificate from Federal income tax and State of Colorado income taxes. Bond counsel approving opinion must be addressed to Bank or permit reliance by Bank.

**FINANCIAL REPORTING:**

The District will be required to provide Bank with audited annual financial statements, prepared by an independent Certified Public Accountant, within 270 days of the close of its fiscal year. Additionally, the District will provide Bank with a copy of its annual budget, as adopted or amended, within 30 days of adoption or amendment. Other reporting, such as Bank may require from time to time, could include copies of any long-term capital improvement plans.

**DOCUMENTATION:**

Documentation shall be prepared by District's Bond Counsel, which firm represents the District at District's expense. This Term Sheet is subject to approval of the documentation by the Bank and its independent Bank counsel, in the Bank's reasonable discretion, including but not limited to a Resolution of the Board of Directors of the District, a Certificate, an Indenture, a Site Lease Agreement and a Lease Purchase Agreement and other instruments, documents and certificates that are usual and customary for a Direct Purchase of a Lease Purchase Financing Agreement. The Bank shall receive a Leasehold Insurance Policy or appropriate endorsements for

the Leased Property.

**BANK COUNSEL FEES:**

Independent Bank counsel fees and costs not expected to exceed \$10,000 to be paid by the District as a cost of issuance. Bank intends to retain Sally Tasker with Butler Snow, LLP

**EXPIRATION:**

This Term Sheet must be accepted on June 28th, 2022 by 8pm MST with closing and funding to occur on or before August 1, 2022. If acceptance or funding has not occurred by the respective dates, the Bank may, at its option and in its sole discretion, terminate the Term Sheet and/or the Interest Rate may be adjusted.

**MUNICIPAL ADVISOR DISCLAIMER:**

The District acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the District and the Bank and its affiliates, (ii) in connection with such transaction, the Bank and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent or a fiduciary of the District, (iii) the Bank and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Bank and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (whether or not the Bank, or any affiliate of the Bank, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Bank and its affiliates have financial and other interests that differ from those of the District, and (vi) the District has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

**WEBSITE DISCLOSURE:**

As a best practice to maintain transparency, final transaction documentation may be posted by the District on a national public market repository provided that certain information is redacted by the District as directed by the Bank. Items that should be redacted include pricing, signatures/names, account numbers, wire transfer and payment instructions and any other data that could be construed as sensitive information.

**MISCELLANEOUS:**

Funding will occur upon receipt of all documentation required by Bank, in form and substance acceptable to Bank and its separate counsel.

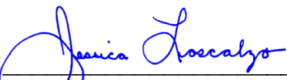
**MATERIAL CHANGE:**

Any change (whether material or not) in the aggregate amount to be financed or a material change in the financial condition or prospects of the District may constitute a re-pricing event and Bank may, at its option and in its sole discretion, terminate this Term Sheet and/or the Interest Rate may be adjusted.

We appreciate your interest in us and look forward to your favorable response. Should you have any questions regarding this Term Sheet, please contact me at (303) 641-9359 or via email at [jessica.m.loscalzo@chase.com](mailto:jessica.m.loscalzo@chase.com)

Sincerely,

**JPMORGAN CHASE BANK, NA**

By:   
\_\_\_\_\_  
Jessica Loscalzo  
Vice President  
2696 South Colorado Blvd, Floor 1  
Denver CO 80222-5945

cc Sally Tasker  
Butler Snow LLP  
[sally.tasker@butlersnow.com](mailto:sally.tasker@butlersnow.com)

**ACCEPTED BY: (for the) Upper San Juan Health Service District**

Option: \_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

IRS Circular 230 Disclosure: Bank and its affiliates (collectively, "Chase") do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not intended or written to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with Chase of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.