

POCATELLO DEVELOPMENT AUTHORITY
Board of Commissioners Meeting
March 16, 2011 – 11:00am – ~~Paradise Conference Room~~

City Hall
911 North 7th Avenue

11:00am Council Chambers

Call to order – Ryan Ward

Acknowledge guests of the Board

Disclosure of conflicts of interest

Agenda – add or delete action or discussion items

Action and Discussion Items

Minutes of February 16, 2011 – Motion to approve and/or amend

Financial Report: February Income and Expenses

General Discussion:

PDA Audit: Charles Clark, Deaton & Company

Del Monte Meats Request: Tony Giesbrecht

Isley Loan Extension Request: Roger Chase

Positron Decision: Steve Yano

Legislative Update

Executive Session:

Project Yogurt: Gynii Gilliam

Items from staff

Items from commission members

Adjourn

Executive Session

Matters exist for discussion in an executive session as per I.C. 67-2345 (1) (e)

Motion: "I move that we enter into an executive session as per Idaho Code 67-2345 (1) (e) to consider preliminary negotiations involving matters of trade or commerce in which the PDA may be in competition with other jurisdictions."

**FINANCIAL REPORT
OF
FEBRUARY 2011**

POCATELLO DEVELOPMENT AUTHORITY
STATEMENT OF CASH AS OF FEBRUARY 28, 2011

Cash in Checking	\$364,098.42
Cash in Savings (Wells Fargo Money Market Account)	132,904.75
Cash in held by third parties (Wells Fargo Corporate Trust)	6,202,223.87
Total cash	6,699,227.04
Cash restricted by bond covenants	-2,943,857.50
Total cash available	\$3,755,369.54

STATEMENT OF CHANGES IN CASH AND CASH EQUIVILENTS
FOR THE MONTH ENDED FEBRUARY 28, 2011

Receipts for the Month

CC	Property taxes received - Central Corridor	\$21,543.67
NY	Property taxes received - North Yellowstone	\$3,084.93
NO	Property taxes received - Naval Ordinance	\$860.11
GF	Interest earnings on savings - Wells Fargo Managed Cash	1.13
	Interest earning on Trust Accounts - Wells Fargo Trusts	46.22
	Total receipts	25,536.06

Expenditures for the Month

#3111	GF	Papa Kelseys	
		February luncheon costs	69.16
#3112	GF	Darcy Taylor	
		February luncheon costs	40.85
	NY	Wells Fargo Corporate Trust	
		Payment on revenue bond	216,762.50
		Total expenditures	216,872.51
		Net change in cash	-\$191,336.45

Cash balances as of February 28, 2011	\$6,699,227.04
Cash balances as of January 31, 2011	\$6,890,563.49
Net change in cash	-\$191,336.45

CC = Central Corridor, NY = North Yellowstone, GF = General Fund, NO=Naval Ordinance
 NP = North Portneuf

POCATELLO DEVELOPMENT AUTHORITY
CASH ANALYSIS FOR THE MONTH ENDING FEBRUARY 28, 2011

	Balance 31-Jan-11	Balance 28-Feb-11	Change in Balance
Total Cash:			
General Fund			
Cash in checking	\$295,230.75	\$295,120.74	-\$110.01
Money Market Account	132,903.62	132,904.75	\$1.13
Total General Fund Cash	<u>428,134.37</u>	<u>428,025.49</u>	<u>-\$108.88</u>
Central Corridor District			
Cash in checking	-71,160.92	-49,617.25	\$21,543.67
Bond Trust Fund (Wells Fargo)	0.04	0.04	\$0.00
Revenue Allocation Trust Fund (Wells)	3,446,141.55	3,446,167.11	\$25.56
Total Central Corridor District Cash	<u>3,374,980.67</u>	<u>3,396,549.90</u>	<u>\$21,569.23</u>
North Yellowstone District			
Cash in checking	-56,284.21	-53,199.28	\$3,084.93
Bond Trust Fund (Wells Fargo)	216,762.50	0.30	-\$216,762.20
Revenue Allocation Trust Fund (Wells)	1,424,114.34	1,424,129.18	\$14.84
Total Yellowstone District Cash	<u>1,584,592.63</u>	<u>1,370,930.20</u>	<u>-\$213,662.43</u>
Central Corridor District Debt Service	650,021.72	650,027.24	\$5.52
North Yellowstone District Debt Service	681,900.00	681,900.00	\$0.00
North Portneuf - Cash in checking	57,061.00	57,061.00	\$0.00
Naval Ordinance Plant - Cash in checking	113,873.10	114,733.21	860.11
Total cash	<u>\$6,890,563.49</u>	<u>\$6,699,227.04</u>	<u>-\$191,336.45</u>
Cash Restricted By Bond Covenants:			
Central Corridor Cash			
Next bond payment	933,432.50	933,432.50	0.00
North Yellowstone Cash			
Next bond payment	678,525.00	678,525.00	0.00
Central Corridor District Debt Service	650,000.00	650,000.00	0.00
North Yellowstone District Debt Service	681,900.00	681,900.00	0.00
Total restricted cash	<u>2,943,857.50</u>	<u>2,943,857.50</u>	<u>0.00</u>
Total unrestricted cash	<u>3,946,705.99</u>	<u>3,755,369.54</u>	<u>-191,336.45</u>
Cash Available			
General Fund	428,134.37	428,025.49	-\$108.88
Central Corridor District	2,441,548.17	2,463,117.40	21,569.23
North Yellowstone District	906,067.63	692,405.20	-213,662.43
Central Corridor District Debt Service	21.72	27.24	5.52
North Yellowstone District Debt Service	0.00	0.00	0.00
North Portneuf District	57,061.00	57,061.00	0.00
Naval Ordinance Plant District	113,873.10	114,733.21	860.11
Total available cash	<u>3,946,705.99</u>	<u>3,755,369.54</u>	<u>-191,336.45</u>

Cash movement analysis:

During February, 2011 Pocatello Development Authority received cash of \$25,536.06 and had \$216,872.51 in expenses so that there was an decrease in cash of \$191,336.45.

General Fund revenue received \$1.13 in interest earnings on the Money Market Account. It paid \$110.01 luncheon costs for a net decrease in cash of \$108.88.

The Central Corridor District received \$31.08 interest revenues on trust funds and property taxes of \$21,543.67. It had no expenses. The districts cash balance increased \$21,574.75.

The North Yellowstone District received interest revenues on trust funds of \$15.14 and property taxes of \$3,084.93. It paid \$216,762.50 interest on bonded debt. The cash balance decreased by \$213,662.43.

The Naval Ordinance Plant Distict received \$860.11 in property taxes.

The North Portneuf District had no activity.

External Debt:

Consolidated Corridor District: One payment left 2011. Principal due \$910,000.00, interest due \$23,432.50, for a total of **\$933,432.50**.

North Yellowstone Distrist: Final payment due 2027. Principal due \$7,395,000.00, interest due \$4,621,662.50, for a total of **\$12,016,662.50**.

2011 Property tax levy As of January 31, 2011	Central Corridor District	North Yellowstone District
Tax charge per Bannock County	\$1,396,525.41	\$1,266,019.06
Collected	452,290.49	623,547.43
remainder to be received	<u>\$944,234.92</u>	<u>\$642,471.63</u>
	Naval Ordinance District	North Portneuf District
Tax charge per Bannock County	\$227,228.17	\$11,028.75
Collected	86,735.26	1,310.49
remainder to be received	<u>\$140,492.91</u>	<u>\$9,718.26</u>

**POCATELLO DEVELOPMENT AUTHORITY
GENERAL FUND CASH FLOW PROJECTIONS
2011 THROUGH 2015**

YEARS ENDED	Budget 2011	YTD 2011 As of February	Remaining 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015
Previous Year Balance:	\$427,317.40	\$427,317.40	\$428,025.49	\$421,817.40	\$1,316,945.15	\$636,445.15	\$631,725.15
INCOME:							
Central Corridor Admin fee				850,627.75			
North Yellowstone Loan (finished 2010)			0.00				
Tetridyn Loan (finished 2011)		2,500.00	-2,500.00	50,000.00			
Naval Ordinance Plant District			0.00				82,000.00
Refunds and reimbursements			0.00				
Interest Income	20.00	5.57	14.43	20.00	20.00	800.00	800.00
Total Projected Income:	20.00	2,505.57	-2,485.57	900,647.75	20.00	800.00	82,800.00
EXPENSE:							
RDA loan payoff Naval Ordinance District					675,000.00		
Varsity Square LLC Grant							
Luncheon costs	1,320.00	447.34	872.66	1,320.00	1,320.00	1,320.00	1,320.00
Office expenses	200.00	285.14	-85.14	200.00	200.00	200.00	200.00
Banking and Professional services	4,000.00	1,065.00	2,935.00	4,000.00	4,000.00	4,000.00	4,000.00
Total Projected Expense:	5,520.00	1,797.48	3,722.52	5,520.00	680,520.00	5,520.00	5,520.00
CALCULATED ANNUAL BALANCE	\$421,817.40	\$428,025.49	\$421,817.40	\$1,316,945.15	\$636,445.15	\$631,725.15	\$709,005.15
	\$705,943.52						
	\$700,423.52						

**POCATELLO DEVELOPMENT AUTHORITY
CENTRAL CORRIDOR CASH FLOW PROJECTIONS
2011 THROUGH 2012****

YEARS ENDED	Budget 2011	Actual 2011 As of February	Remaining 2011	Budget 2012
Previous Year Balance*:	\$3,585,729.33	\$3,585,729.33	\$4,046,577.14	\$545,198.68
INCOME:				
Projected Estimated Tax Revenues: ^{8,9}	1,370,000.00	470,396.51	899,603.49	
Taxes Received from Previous Years & yearly interest: ⁷			0.00	
South Cliffs Repayment: ¹²	196,867.85		196,867.85	
AMI Repayment (Building Owners): ¹²			0.00	1,200,000.00
Positron Repayment: ¹² (\$400,000.00)			0.00	
Interest earning on trust accounts	230.00	142.30	87.70	230.00
Total Projected Income:	1,567,097.85	470,538.81	1,096,559.04	1,200,230.00
EXPENSE:				
Current Year Debt Service:	933,432.50		933,432.50	
Cheyenne Crossing: Committed \$3 million total ^{16 & 18}	3,000,000.00		3,000,000.00	
Whitman/Yellowstone Hotel: Committed \$613,000 ^{10 org 356 500}			0.00	
Clark Street Overpass: Committed \$258,880.93				258,800.93
Admin Transfer to Unrestricted Account: ¹¹			0.00	850,627.75
General Fund - loan for Triangle development City of Pocatello, triangle land reimbursement				136,000.00
Arbitrage	1,700.00	7,235.00	-5,535.00	
Trustee fees	2,250.00	2,456.00	-206.00	
<u>Unapproved Projects</u>				
Farmer's Project #1 org. 500,000.00	170,246.00		170,246.00	
Unnamed Project #3 (\$500,000.00 new Jan 2009): ¹⁹	500,000.00		500,000.00	500,000.00
Total Projected Expense:	4,607,628.50	9,691.00	4,597,937.50	1,745,428.68
CALCULATED ANNUAL BALANCE	\$545,198.68	\$4,046,577.14	\$545,198.68	\$0.00
Debt service restriction (reserve \$650,000.00)			\$0.00	
Current debt payment allocation fund reserve			\$0.00	
Available cash		\$4,046,577.14	\$545,198.68	\$0.00

** TIF District slated to close in 2012

**POCATELLO DEVELOPMENT AUTHORITY
NORTH YELLOWSTONE FUND CASH FLOW PROJECTIONS
2011 THROUGH 2028**

YEARS ENDED	Budget 2011	YTD 2011 As of February	Remaining 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016 - 2028
Previous Year Balance:	\$1,791,493.20	\$1,791,493.20	\$2,052,830.20	\$2,185,853.24	\$2,578,948.28	\$2,971,343.32	\$3,363,863.36	\$3,363,863.36
INCOME:								
Property taxes (org \$761,120.03)	1,200,000.00	623,547.23	576,452.77	1,200,000.00	1,200,000.00	1,200,000.00	1,200,000.00	15,600,000.00
Interest on trust accounts	160.00	68.34	91.66	160.00	160.00	160.00	160.00	13,000.00
Loan from General Fund								
Total Projected Income:	1,200,160.00	623,615.57	576,544.43	1,200,160.00	1,200,160.00	1,200,160.00	1,200,160.00	15,613,000.00
EXPENSE:								
Current Year Debt Service:	678,525.00	216,782.50	461,762.50	680,050.00	680,750.00	680,625.00	679,675.00	8,833,800.00
Rail Crossing			0.00					
Peg Development Land Acquisition			0.00					
Refund of property taxes		21,001.11	0.00					
Arbitrage fees	5,260.00			2,500.00	2,500.00	2,500.00	2,500.00	32,500.00
Trustee fees		2,500.00	0.00	2,500.00	2,500.00	2,500.00	2,500.00	32,500.00
Administrative fee to PDA (year 2028)			0.00					
Costco employment payment (\$854,105.00) 1	122,014.96	122,014.96	0.00	122,014.96	122,014.96	122,014.96	122,014.96	244,029.92
Total Projected Expense:	805,799.96	362,278.57	461,762.50	807,064.96	807,764.96	807,639.96	806,689.96	9,142,829.92
CALCULATED ANNUAL BALANCE	\$2,185,853.24	\$2,052,830.20	\$2,167,612.13	\$2,578,948.28	\$2,971,343.32	\$3,363,863.36	\$3,757,333.40	\$9,834,033.44
Bond reserve trust fund		681,900.00	681,900.00	681,900.00	681,900.00	681,900.00	681,900.00	
Current debt payment allocation fund reserve		678,525.00	678,525.00	678,525.00	680,050.00	680,750.00	680,750.00	
Amount available		692,405.20	807,187.13	1,218,523.28	1,809,393.32	2,001,213.36	2,394,683.40	9,834,033.44

Note: \$691,458.36 in bonded debt reserves are included in cash balance

1 = Per letter from David Messner, Costco Agent, the \$1 mil employment grant was reduced by a construction advance to PEG development of \$145,895.00, Dated 12/31/2007

POCATELLO DEVELOPMENT AUTHORITY
NORTH PORTNEUF DISTRICT CASH FLOW PROJECTIONS - Tentative
2011 THROUGH 2028

YEARS ENDED	Budget 2011	YTD 2011 As of February	Remaining 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016 - 2028
Previous Year Balance:	\$55,750.51	\$55,750.51	\$57,061.00	\$55,750.51	\$55,750.51	\$55,750.51	\$55,750.51	\$55,750.51
INCOME:								
Property taxes	1,492,442.00	1,310.49	1,491,131.51	2,895,337.00	2,808,447.00	2,724,223.00	2,642,496.00	33,975,586.00
Interest on trust accounts			0.00					
Loan from General Fund			0.00					
Total Projected Income:	1,492,442.00	1,310.49	1,491,131.51	2,895,337.00	2,808,447.00	2,724,223.00	2,642,496.00	33,975,586.00
EXPENSE:								
Debt service	1,492,442.00		1,492,442.00	2,895,337.00	2,808,447.00	2,724,223.00	1,079,521.00	0.00
Hoku:			0.00					
Infrastructure reimbursement			0.00				1,484,826.00	13,515,174.00
Employment reimbursement			0.00					9,269,326.00
Other payments:								
City infrastructure			0.00					
PDA admin			0.00				78,149.00	1,921,851.00
Taxing Entity operational costs			0.00					797,206.51
Total Projected Expense:	1,492,442.00	0.00	1,492,442.00	2,895,337.00	2,808,447.00	2,724,223.00	2,642,496.00	34,031,336.51
CALCULATED ANNUAL BALANCE	\$55,750.51	\$57,061.00	\$55,750.51	\$55,750.51	\$55,750.51	\$55,750.51	\$55,750.51	\$0.00
Assessed valuation 2009	\$6,639,105.00							
Base valuation	\$3,458,800.00							
Increase 2009	\$3,180,305.00							

**POCATELLO DEVELOPMENT AUTHORITY
NAVAL ORDINANCE PLANT FUND CASH FLOW PROJECTIONS
2010 THROUGH 2028**

YEARS ENDED	Budget 2011	YTD 2011 As of February	Remaining 2011	Budget 2012	Budget 2013	Budget 2014	Budget 2015	Budget 2016 - 2028
Previous Year Balance:	\$27,997.95	\$27,997.95	\$114,733.21	\$109,997.95	\$116,997.95	\$48,997.95	\$55,997.95	\$55,997.95
INCOME:								
Property taxes	82,000.00	86,735.26	-4,735.26	82,000.00	82,000.00	82,000.00	82,000.00	1,066,000.00
Interest on trust accounts			0.00					
Loan from General Fund			0.00		675,000.00			
Total Projected Income:	82,000.00	86,735.26	-4,735.26	82,000.00	757,000.00	82,000.00	82,000.00	1,066,000.00
EXPENSE:								
Log Homes (\$225,000.)			0.00	75,000.00	75,000.00	75,000.00		
Owner Contract: (RDA)			0.00		750,000.00			
Repay loan to General Fund			0.00				82,000.00	668,000.00
Sewer line flushing			0.00					
Administrative fee to General Fund			0.00					453,997.95
Total Projected Expense:	0.00	0.00	0.00	75,000.00	825,000.00	75,000.00	82,000.00	1,121,997.95
CALCULATED ANNUAL BALANCE	\$109,997.95	\$114,733.21	\$109,997.95	\$116,997.95	\$48,997.95	\$55,997.95	\$55,997.95	\$0.00

Del Monte Meats

**POCATELLO DEVELOPMENT AUTHORITY (PDA)
Pre-Application for use of Tax Increment Financing**

Instructions:

1. Please complete each section of this pre-application.
2. The applicant should be the project owner or the duly appointed representative of the project owner.
3. This pre-application must be completed and submitted (PDA, 1651 Alvin Ricken Drive, Pocatello ID, 83201) by the first Monday of the month to be considered for the PDA meeting agenda on the 3rd Wednesday of that month.
4. Each pre-application is screened by staff and must meet a minimum score of 70 points (out of 100) for it to be considered for approval by the PDA Board.
5. PDA approval of this application is authorization to proceed to a full application.
6. A full application will consist of at minimum the following:
 - a. Project purpose statement.
 - i. Description of deteriorated or deteriorating conditions.
 - ii. Description of public benefits.
 - b. Scope of work.
 - i. The kind, number, and location of all proposed public works or improvements.
 - ii. A detailed list of estimated project costs.
 - iii. Construction timetables (including any proposed phasing).
 - iv. A detailed map and legal description of the project area.
 - c. Economic Analysis.
 - i. An economic feasibility study.
 - ii. A fiscal impact statement showing the impact of the project upon all taxing districts.
 - iii. A description of the methods of financing all estimated project costs.
7. Questions may be directed to the Executive Director for the Development Authority 233/8500.

Application:

Name: Anthony C. Giesbrecht / Del Monte Meats, LLC. Date: 2/22/11
 Mailing Address: 908 W. Center St, Pocatello, ID
 Work Phone: 224-2061 Cell Phone: 221-2061 E-Mail: choicemeatletter@juno.com
 Project Description: New retail store, processing area & banquet hall.
 Project Location: Pocatello Square off of Poleline Rd.
 Is this project currently in an urban renewal area? Yes No
 Is this project currently in a revenue allocation area? Yes No

If you answered 'no' to both questions above, please describe the "deteriorated or deteriorating" conditions associated with this location:

Current Assessed Value of Project Location: \$ 500,000.00

Estimated Construction Value of Project: 1.8 million

Number of jobs created by this project: 7 full time Wage range of jobs: \$12-14/hr. + tips
8 part time

Employee Benefits? Yes No If yes, please describe Health Ins. plan,
2 paid holidays yearly & paid vacation, company issued cell phone,
massage & chiropractic services paid, 1 paid meal per shift.

PDA Pre-Application, Page 2

Time frame for job creation: 8-9 months

Construction start date for Project: 4/29/11 Anticipated completion date: 12/11

Briefly describe other public benefit(s) associated with this project: Continuation of development of Pocatello Square, providing a unique venue for the general & business community of Southeast Idaho.

Does this project compete with other, already established businesses? How? No; our combined services offer a unique package of service to the greater Pocatello and surrounding areas.

Is this project currently subject to a competitive bid process? Please explain: Yes.

Four architects & four builder/contractors were interviewed prior to choosing those best suited for this project.

Are there other applicants that may be interested in applying for PDA assistance for this same project? Please explain: NO

Relationship of named applicant to the project: Owner / Pres.

Type of Assistance Requested (check all that apply):

- Public Infrastructure (water, sewer, street, etc.).
- Public Facility (building, park, parking lot, etc.).
- Match for other funding.
- Inspections, tests, surveys, appraisals, etc.
- Property Acquisition.
- Structure Demolition and Clearance.
- Other? Please Specify _____

Amount of Assistance Requested: \$ 100,000.00

Form of Assistance Requested:

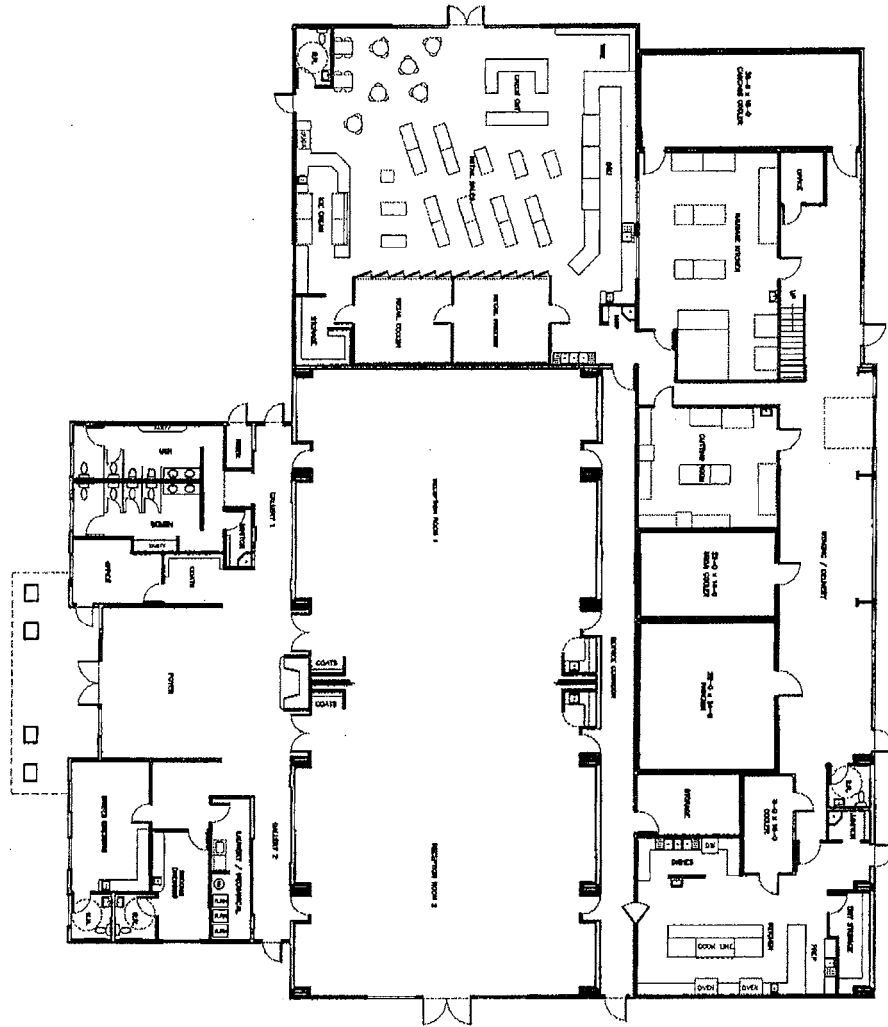
- Grant of Funds.
- Loan of Funds.
- Reimbursement for Approved Expenditures.
- Pay-As-You Go.
- Bonding.
- Other? Please Specify _____

Other helpful information? Please list: I have been involved with the business for the past 27 years as an employee & an owner. Our revenues have increased from \$700,000 annually in 1997 to \$1,300,000 in

THANK YOU!

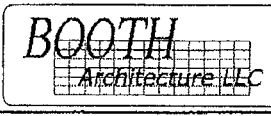
2009. We employ 8 fulltime employees & 4-5 part time depending on the seasonal work loads. Diversification has been a key component in weathering difficult economic times.

LOWER FLOOR PLAN



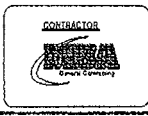
CHECK SET NOT FOR CONSTRUCTION

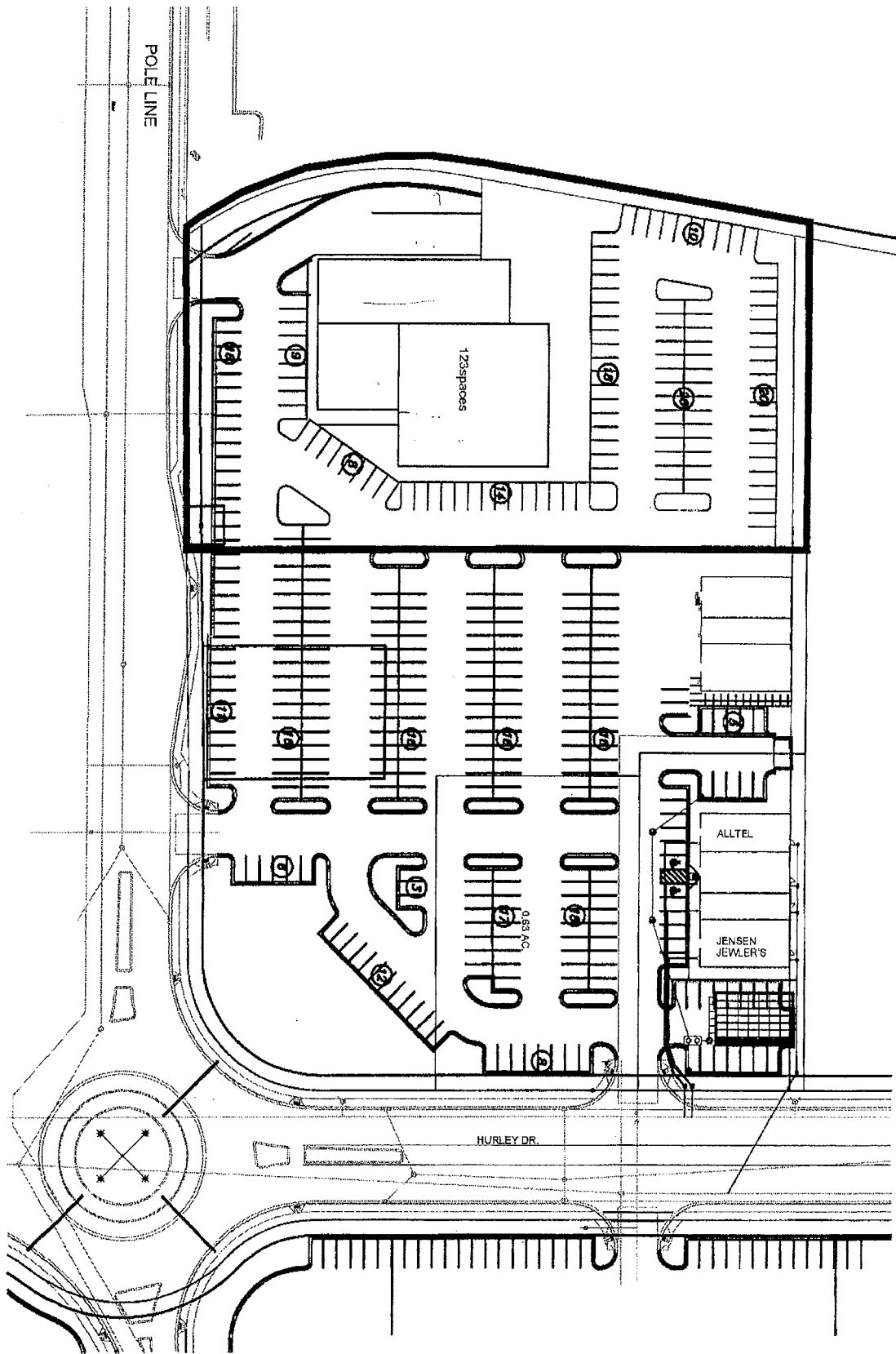
Lower Floor Plan
 Date: Feb. 14, 2016
 Sheet No.: A1



340 East Clark Street, Suite A
 Pocatello, Idaho 83201
 Phone: (208) 233-4548
 1-888-233-4548
 Fax: (208) 233-0263
 email: info@bootharch.com

Proposed Facility for:
Del Monte Meats
 Reception Center / Production Facility / Retail Sales
 T.B.D.
 Pocatello, Idaho









LOAN SETTLEMENT AGREEMENT

This LOAN SETTLEMENT AGREEMENT (this "*Agreement*") is made and entered into as of the ____ day of ~~February~~ ~~November~~, 2011~~0~~, by and between **Positron Systems, Inc.**, a Delaware corporation ("*Positron*"), and the **Pocatello Development Authority**, an urban renewal agency formed under the laws of the State of Idaho (the "*PDA*"). Positron and the PDA are sometimes referred to collectively in this Agreement as the "*Parties*," and individually, as a "*Party*."

1. Background and Purpose.

1.1 Loan Agreement. The PDA and Positron Systems, Inc., an Idaho corporation and Positron's predecessor-in-interest, entered into an Economic Development Loan Agreement, dated as of December 16, 2003 (the "*Loan Agreement*"), pursuant to which the PDA agreed to loan to Positron the principal amount of \$400,000 (the "*Loan*"), for the purpose of enabling Positron to develop its research and test facility at the Idaho State University Research and Business Park, adjacent to the Idaho Accelerator Center in Pocatello, Idaho (the "*Facility*").

1.2 Note. The Loan was represented by a Deed of Trust Note, dated March 25, 2004 (the "*Note*") issued by Positron to the PDA.

1.3 Deed of Trust. The obligations represented by the Note were secured by a Deed of Trust, dated March 25, 2004 ("*Deed of Trust*"), pursuant to which Positron granted to the PDA a lien on and security interest in Positron's ground leasehold interest related to the Facility.

1.4 Lease. Positron has entered into that certain Lease Agreement, dated September 30, 2003, with Idaho State University relating to use and operation of the Facility.

1.5 Purpose. The Parties desire to cancel Positron's obligations under the Note and the Deed of Trust in consideration of the issuance by Positron to the PDA of ~~325,200+30,081~~ shares of its common stock, on the terms and conditions set forth in this Agreement.

2. Agreement. In furtherance of the foregoing purposes, the Parties agree as follows:

2.1 Issuance of Shares. Subject to the terms and conditions of this Agreement, at Closing, Positron shall issue, or shall cause to be issued, to and in the name of the PDA ~~325,200+30,081~~ shares of Positron common stock (the "*Shares*"), free and clear of all charges, claims, interests, conditions, equitable interests, liens, options, pledges, security interests, rights of first refusal, encumbrances or restrictions of any kind, including any restrictions on use, voting, transfer (other than transfer restrictions imposed by Federal and state securities laws), receipt of income or exercise of any other attribute of ownership (collectively, "*Encumbrances*"). At Closing, Positron shall cause to be issued in the name of the PDA a certificate representing the Shares.

325,203 shares
= \$399,999.69

\$ 399,996.00

2.1.1 Repurchase Obligation by Positron. Positron shall have the

absolute obligation to repurchase the Shares from the PDA however, under no circumstances shall the repurchase obligation as provided herein exceed 325,200 Shares or the repurchase price equal any amount other than \$1.23 (one dollar and twenty three cents) per share.

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2.1.1.1 81,300 Shares to be repurchased within 30 days of the unrestricted cash balance of Positron shall be equal to or greater than \$500,000.

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2.1.1.2 81,300 Shares to be repurchased within 30 days in each subsequent quarter upon the unrestricted cash balance of Positron shall be equal to or greater than \$500,000.

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2.1.1.3 The number of Shares as provided in Sections 2.1.1.1 and 2.1.1.2 shall be multiplied by a factor of 2 (two), in the event the unrestricted cash balance shall be equal to or greater than \$1,000,000.

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2.1.1.4 In the event of a change in control ("change in control") of Positron defined as a transfer through any transaction or series of transactions of Positron's common stock in an amount exceeding 50% to an entity unrelated to the existing controlling shareholder or an affiliated entity of such shareholder, such change in control shall accelerate the repurchase obligation as provided herein to be completed with the PDA no later than 6 (six) months following the closing of such change in control without restriction or condition.

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2.2 Cancellation of Loan Obligations. In consideration of the issuance of the 325,200+30,000+ Shares, the PDA shall return to Positron the originally-signed Note, marked "Paid in Full." In addition, the PDA shall take such actions as shall be necessary or appropriate to terminate the PDA's lien on Positron's ground leasehold interest related to the Facility, and shall provide Positron with evidence of such termination reasonably satisfactory to Positron.

2.3 Closing. The foregoing issuance and cancellation shall be consummated remotely, by delivery by each Party to the other Party, to be held in trust, concurrently with the execution and delivery of this Agreement, of such other documents, certificates and instruments as shall be necessary or appropriate to close the transactions contemplated hereby (the "Closing").

2.4 Further Assurances. From time to time after the Closing, the Parties hereto shall execute and deliver (or cause to be executed and delivered) such other and further documents and instruments and shall take (or cause to be taken) such other and further actions, as either Party may reasonably request in order to further effect and/or evidence the transactions contemplated hereby or to otherwise consummate and give effect to the covenants and agreements set forth herein.

2.5 Acknowledgment of Present Value. The Parties expressly acknowledge that the consideration for and the value of the Shares has been negotiated and agreed upon by the Parties as fair and equitable in all respects as of the date of this Agreement by the Parties. Regardless of the future success or failure of Positron, no future attempt will be made by any Party to this Agreement to make any adjustment in the consideration for or number of the Shares after the Closing.

2.6 Restrictive Legend. The certificates representing the Shares shall be endorsed with the following restrictive legend:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE’S SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED UNLESS AND UNTIL SUCH SECURITIES ARE REGISTERED UNDER SUCH LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY IS OBTAINED TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED.”

3. Representations and Warranties.

3.1 Ownership. Positron represents and warrants to the PDA that as of the Closing Date the PDA shall be the owner of the Shares, with all rights with respect thereto, and that the PDA shall have good and marketable title to the Shares, free and clear of all Encumbrances.

3.2 Purchase for Investment. The PDA represents and warrants to Positron that it is acquiring the Shares for investment purposes only and without a view to the resale or distribution thereof notwithstanding the repurchase obligation by Positron as provided in Section 2.1.1. The PDA acknowledges that the Shares are not registered under federal or state securities laws, and therefore cannot be sold except in compliance with such laws.

3.3 Acknowledgment of Access to Information. The PDA acknowledges that it has had access to sufficient information regarding Positron’s business and financial condition to enable it to make an investment decision regarding the Shares. The PDA acknowledges that it has been provided an opportunity to ask questions of, and receive answers from, Positron management concerning the terms and conditions of the issuance of the Shares and to obtain additional information concerning Positron.

3.4 No Other Representations and Warranties. EXCEPT AS EXPRESSLY SET FORTH HEREIN, NEITHER POSITRON NOR THE PDA HAS MADE ANY REPRESENTATIONS OR WARRANTIES TO THE OTHER PARTY, AND NO PARTY HERETO HAS RELIED ON ANY SUCH REPRESENTATIONS OR WARRANTIES.

4. Miscellaneous Provisions.

4.1 Entire Agreement; Amendment. This Agreement and the other documents delivered pursuant hereto and referenced herein, constitute the full and entire understanding and agreement between the Parties with respect to the subject matter hereof and supersede, merge,

and replace, all prior negotiations, offers, promises, representations, warranties, agreements and writing with respect to such subject matter, both written and oral. Except as expressly provided herein, neither this Agreement nor any term hereof may be amended, waived, discharged or terminated, except by a written instrument signed by the Parties hereto.

4.2 *Successors and Assigns; No Third-Party Rights.* Neither Party may assign any of its rights under this Agreement without the prior written consent of the other Party. Subject to the preceding sentence, this Agreement will apply to, be binding in all respects upon, and inure to the benefit of the successors and permitted assigns of the Parties. Nothing expressed or referred to in this Agreement will be construed to give any person or entity other than the Parties to this Agreement any legal or equitable right, remedy or claim under or with respect to this Agreement or any provision of this Agreement. This Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the Parties to this Agreement and their successors and permitted assigns.

4.3 *Waiver.* To the maximum extent permitted by applicable law, (a) no claim or right arising out of this Agreement or the documents referred to in this Agreement can be discharged by one Party, in whole or in part, by a waiver or renunciation of the claim or right unless in writing signed by the other Party; (b) no waiver that may be given by a Party will be applicable except in the specific instance for which it is given; and (c) no notice to or demand on one Party will be deemed to be a waiver of any obligation of such Party or of the right of the Party giving such notice or demand to take further action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

4.4 *Governing Law; Attorneys' Fees.*

4.4.1 Governing Law. This Agreement shall be governed by, construed, interpreted and applied in accordance with the laws of the State of Idaho.

4.4.2 Attorneys' Fees. The prevailing Party in any action or proceeding relating to this Agreement shall be entitled to recover reasonable attorneys' fees and other costs from the non-prevailing Party, in addition to any other relief to which such prevailing Party may be entitled. Determination of the prevailing Party shall be made on the basis of the factors enumerated in Rule 54(d)(1)(B), Idaho Rules of Civil Procedure, as the same now exists or may subsequently be amended.

4.5 *Severability.* If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

4.6 *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. Any counterpart may be delivered by facsimile; *provided, however,* that attachment thereof shall constitute the representation and warranty of the person delivering such signature that such person has full power and authority to attach his or her signature and to deliver this Agreement. At the request of either Party, any facsimile signature shall be replaced with an original signature as promptly as practicable.

4.7 *Time of Essence.* With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

[Signature Page Follows]

Notice Provision?
Venue

IN WITNESS WHEREOF, the Parties have executed this Loan Settlement Agreement as of the day and year first set forth above.

Positron Systems, Inc.,
a Delaware corporation

By: _____
Name:
Title:

Pocatello Development Authority,
an urban renewal agency under the laws of
the State of Idaho

By: _____
Name: *Russ*
Title:

[SIGNATURE PAGE TO LOAN SETTLEMENT AGREEMENT]

Legislative Update



OFFICE OF THE MAYOR
911 North 7th Avenue
P.O. Box 4169
Pocatello, Idaho 83205

(208) 234-6163
Fax: (208) 234-6297
www.pocatello.us

BRIAN C. BLAD
Mayor

Pocatello City Council:

ROGER BRAY
STEVE BROWN
CRAIG COOPER
RON PRASURE
GARY MOORE
EVA JOHNSON NYE

March 8, 2011

The Honorable Joe Stegner, Chair
Senate Local Government and Taxation Committee
P.O. Box 83720
Boise, Idaho 83720-0081

Re: House bills 95, 96, 97, and 110

Dear Chairman Stegner:

The above referenced bills recently passed the House. We understand that they will now be assigned to the Senate Local Government and Taxation Committee. We would like to take this opportunity to offer comment and appreciate your time in consideration of our concerns.

The City of Pocatello and the Pocatello Development Authority are strong supporters of the continuation of Urban Renewal and Tax Increment Financing (TIF) as a means for redevelopment and growth in our City. Since 1988, we have created fifteen Urban Renewal Districts. We have closed eleven of those districts and have four currently remaining. As a side note, our most recently closed district lasted twelve years and added 900 jobs, \$83 million to the tax rolls, and lowered the property tax levy by 3.5 percent. These and other of our most recent successes are demonstrated in the table labeled "attachment 1."

Among the businesses we have been able to assist, two of our largest are Hoku Materials and ON Semiconductor. Both have made it very clear that without the use of TIF, these businesses would not be here in Pocatello or in Idaho (see attached letters). These businesses represent some 900 well-paying jobs to our local economy. In addition, the site selector for the Allstate Company (representing 600 jobs) has included a letter expressing how important this tool was in recruiting this company. We hope you can see the devastating impact the loss of these jobs would have for our area and the State. We also believe that Pocatello is well positioned to grow in the future adding additional property value, capital investment, and jobs to our economy. However, without TIF, we will not compete in what has become a highly competitive economic development environment. Therefore, we strongly encourage that nothing be done to these vital pieces of legislation that would harm or eliminate our capacity to make use of them for the good of the community and its residents.

To that end, our specific comments related to these House bills are as follows.

HB 95 – We have a high level of concern regarding this legislation. We believe that other avenues already exist for residents to voice either support for or opposition against the use of TIF. Requiring an election to create an Urban Renewal Agency simply adds time and cost to a process that must be responsive to the needs and interests of business development opportunities. Often, a community not currently using Urban Renewal

will only do so as business opportunities may present themselves. These opportunities will not wait while the community debates and decides the issue. Nor will the business want to be a part of an election process where they may become the focal point of whether "it is worth it or not" or "whether they will come without TIF or not." In short, an election at this point would make our communities less competitive. We are also concerned about limiting the duration of districts to something less than the current 24 years. The problem is that the property tax flow from a new company does not get going until about four years into the district. The company has to make a decision, build, occupy, get assessed, and actually pay the taxes in order to produce any revenue with which to repay bonds or keep promises made. Limiting duration potentially limits funding options and necessary income stream to make the district successful.

We do find that the limitations imposed on the inclusion of agricultural lands may be reasonable and ask only that cities be given an opportunity to help craft the language. However, requiring that increases in valuation from changes in use to agricultural land within a district be added to the base assessment roll will definitely limit revenue and the district's ability to implement the planned expenditures. There are good reasons to include such land when the property owner is a willing seller to a business development. However, such lands are typically absent required infrastructure and are therefore expensive to prepare for development. Denying the use of Tax Increment Financing to fund the needed improvements on these lands may negate the need to include them in a district at all. Thus lands that should transition become more difficult and more costly to develop.

HB 96 – We are opposed to this legislation. The interest of having taxing districts informed of what is happening is reasonable and something we believe most communities strive to do when the use of TIF dollars are anticipated. But to give taxing jurisdictions an "opt out" option complicates and makes impractical the use of TIF. It will lead to politicized and time consuming process both of which are contrary to the imperative for speed in decisions and confidentiality of information required in the economic development arena. Without all jurisdictions being involved, it will be difficult to generate the necessary funds in the number of years allowed to fund projects of significance.

HB 97 – We are opposed to this legislation. We already attempt to identify projects in a district to as great a detail as possible. The reality is that a district plan may change as a company's plans change. For example, Hoku Materials opted to expand the potential output capacity of their plant. Economically speaking, this is a good thing. However, this decision required an enhancement to infrastructure from what was in the original plan. If this bill were law, that expansion may not have occurred. In addition, their concept of a road system necessary to serve the plant is evolving as the design of their plant evolves and as they see better, safer, and more cost efficient ways for the lay-out. Locking districts into narrowly defined or specific projects will limit our ability to respond to the evolving needs of companies making us less competitive and less likely to be able to use this tool at all.

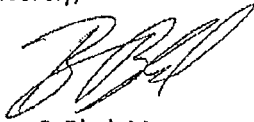
We have heard that the concept of an annual rebate was not the intent of the authors of this legislation. As such, we would be pleased to sit down and work on wording more suitable to the intent. As currently passed, we are concerned that requiring an annual rebate of unexpended funds in a district would eliminate a district's ability to accumulate dollars over multiple years to pay for projects without having to debt finance. Debt financing is not always the fiscally responsible option.

Chairman Stegner Letter
March 8, 2011
Page 3

HB 110 – We do not see the value in this legislation as we currently are required to hold a public hearing prior to ordinance adoption. However, if an additional hearing is felt to be in the public interest, we will support this bill.

In conclusion, we appreciate very much your consideration of these comments and hope that no action will be taken that would undermine our economic development tools in these challenging times.

Sincerely,



Brian C. Blad, Mayor
City of Pocatello



Ryan Ward, Chair
Pocatello Development Authority

Attachments

Cc: Senate Local Government and Taxation Committee Members
The Honorable Ken Andrus
The Honorable Jim Guthrie
The Honorable Roy Lacey
The Honorable Elaine Smith
The Honorable Diane Bilyeu
The Honorable Edgar Malepeal

**POCATELLO URBAN RENEWAL/REVENUE ALLOCATION AREA DATA
FEBRUARY 2011**

DISTRICT	BASE VALUE	MARKET VALUE*	DIFFERENTIAL ³	TIF EXPENDITURE	EST. JOB CREATE/RETAIN ³
Central Corridor	\$104,437,993	\$195,307,941 Final	\$77,582,315 Final	\$10,832,919 (actual) ⁴	900
North Portneuf	\$4,101,244	\$196,000,000 Est. ¹	\$191,898,756 Est. ¹	\$50,298,935 (budgeted) ²	200
North Yellowstone	\$7,326,550	\$79,445,622 Current	\$71,949,293 Current	\$9,183,627 (budgeted) ²	700
Naval Ordnance Plant	\$4,136,295	\$17,010,376 Current	\$12,846,787 Current	\$3,630,000 (budgeted) ²	100
Airport	\$995,883	\$5,995,883 Est. ¹	\$5,000,000 Est. ¹	\$5,041,275 (budgeted) ²	50

*Minus exemptions and operating property

Notes:

1. Estimated values are due to the newness of the district. The actual new construction value has not yet been assessed.
2. Budgeted amounts are those planned when the district was formed. Actual expenditure levels may vary depending on the actual cost of the work.
3. Bolded columns represent the public benefit, or the return on investment
4. Includes committed and spent funds.

STATE/COUNTY REVENUE ANALYSIS – TWO "TIF" COMPANIES

Hoku Materials and ON Semiconductor

(Numbers are provided by the companies and based upon what they are willing to share)

Hoku Materials

Projected Idaho State Sales Tax @ 6%	-	\$462,000
Projected Idaho Corporate Tax	-	\$660,000
Total Projected Idaho Revenues	-	\$1,122,000
Projected Bannock County Property Tax	-	\$1,262,042*

Hoku Materials is providing approximately 220 jobs to the Pocatello economy. These revenue projections do not include their estimated state personal income tax or their sales tax on individual purchases.

*Based on estimated construction value as listed on City-issued building permits.

On Semiconductor

Annual payroll, \$45-million. State income tax withholdings	-	\$2,400,000
Bannock County Property Tax	-	\$1,400,000

HOKU Materials™

December 22, 2010

Robert Chambers, Director
Planning and Development Services
City of Pocatello
P.O. Box 4169
Pocatello, ID 83205

Dear Robert,

As Hoku Materials continues to increase its employment and operational base in Pocatello, we value the support received from the City of Pocatello. When we reviewed possible sites for our polysilicon production facility, the incentives offered were a key factor in the decision to locate in the State of Idaho in comparison to opportunities in other states. Without the financial assistance offered to us through the tax increment financing (TIF) district for the critical infrastructure for our Pocatello plant, we would not be here.

The more than 200 high-paying jobs Hoku is creating can spawn growth in several other areas of the economy, particularly housing and retail. In turn, this will create new fiscal sources for local and state government revenue to be focused back into key development projects. The relationships we are building in the Pocatello community, where we are able to create jobs and utilize a highly-skilled talent pool, will be mutually beneficial and positively impact all sectors of the economy.

We look forward to a long and prosperous relationship with the City of Pocatello and the Pocatello community.

Best regards,



Scott Paul
President & CEO
Hoku Corporation



Date: January 11, 2011

To: Idaho legislators and other interested parties

Subject: Tax Increment Financing

On behalf of ON Semiconductor-Pocatello, I'm writing this letter in support of Tax Increment Financing (TIF). ON Semiconductor-Pocatello (previously AMI Semiconductor) has been a major beneficiary of the proper use of Tax Increment Financing. More importantly, TIF's have been greatly beneficial to the Pocatello and Bannock County communities, taxpayers and tax recipients.

On three specific occasions, the strategic use of TIF's by the City of Pocatello have allowed ON Semiconductor to continue to develop and grow our business. These economic development initiatives have produced many successful results for the local community including the creation and retention of hundreds of jobs and the generation of millions of dollars of tax revenue for schools and needed government services. ON Semiconductor has been Pocatello's largest taxpayer and largest private sector employer over the past two decades and without the use of TIF's, I believe it is fair to say that hundreds of jobs and millions of dollars in tax revenue would probably not exist.

Specifically, the company built its Fab 10, eight-inch wafer manufacturing facility in 1997 with the help of TIF money to fund infrastructure needs for that facility. Shortly after the 1997 construction of our eight-inch wafer facility, we were able to successfully use TIF money, working with the City of Pocatello and Idaho Power Company, to upgrade the community's local power substation providing a continuous, uninterruptable source of electric power essential to our manufacturing operations.

Then, in 2002, with the help of TIF money, the company built a new engineering and research center adjacent to our Pocatello manufacturing facility. This facility employs over 150 highly paid engineers and development personnel. Without the construction of this state-of-the-art facility, these jobs may have ended up in another community in another state.

Finally, in 2010, ON Semiconductor announced over \$26 million in new capital equipment investment for the Pocatello facility, again with the help of TIF money. This investment more than doubled our production capacity, secured over 600 existing jobs and added over 100 new jobs.

I ask for your support for legislation that extends the proper use of Tax Increment Financing resulting in the attraction and creation of more businesses with good paying jobs along with the resulting tax revenues to benefit our schools and essential government services.

Sincerely,

A handwritten signature in black ink, appearing to read "John Spicer".

John Spicer
Site Manager & Senior Director of Operations
ON Semiconductor, Inc.-Pocatello



New Jersey Office:
10 Apache Trail
Freehold, NJ 07728

Phone: (732) 410-4568

Michigan Office:
1438 Glen Ellyn Drive, SE
Grand Rapids, MI 49546

February 8, 2011

Mr. Robert Chambers
Director of Planning and Development Services
City of Pocatello
P.O. Box 4169
Pocatello, ID 83205

Robert:

Recently we were made aware of some discussion in Idaho regarding the future use of Tax Increment Financing Districts (TIF) throughout the State. As a national site selection and government incentive consultant who has considered Idaho in the past and who has recently located a successful project within the State, we can say with conviction that we support the use of TIF for projects, especially those that clearly demonstrate a positive impact on a local economy.

From a competitive standpoint, currently 49 states and the District of Columbia legally have the ability to offer some sort of TIF related incentive for competitive projects. By legislatively removing the ability for Idaho to offer this incentive at the municipal level, the State would be in a less than desirable position in its attempt to win competitive projects. While certain states use the program a bit more liberally than others, TIF can be a powerful tool for a municipality within the State to compete with and/or lure a major development project away from a competing location, possibly outside of Idaho. Empowering municipalities within Idaho to make strategic decisions on the future growth of their communities has not only given companies reasons to consider and locate in Idaho, but has also given existing companies the ability to continue investing and expanding once roots have been established in the State.

The Managing Partners of Atlas Insight have seen first-hand the effective and proper use of a TIF incentive in Chubbuck and in Pocatello, as well in many communities throughout the United States. When used properly, TIF can vastly increase the tax base of a community; but most importantly, TIF can help to increase the opportunities for employment available to the residents of your great State.

We would welcome any further discussion regarding this topic. We wish you the best with your current legislative session.

Best Regards,

Brian P. Corde
Managing Partner
Atlas Insight, LLC