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VIA FIRST LEGAL NETWORK

September 12, 2017

Sharon Bronson, Chair

Mr. Steve Christy

Mr. Richard Elias

Ms. Ally Miller

Mr. Ramón Valadez

PIMA COUNTY BOARD OF SUPERVISORS

County Administration Building

130 West Congress Street, 11th Floor

Tucson, Arizona 85701

Re: The Industrial Development Authority of the County of Pima – Notice of Intention to Issue Bonds – Education Facility Revenue and Refunding Bonds (Stepping Stones Academy Project), Series 2017 – In an Amount Not to Exceed \$4,000,000

Dear Ms. Chair and Members of the Board:

As part of its program for financing Arizona charter schools, at its regular meeting held on September 12, 2017, The Industrial Development Authority of the County of Pima (the “*Authority*”), granting its final approval to a resolution authorizing the issuance of its Education Facility Revenue and Refunding Bonds (Stepping Stones Academy Project), Series 2017 (the “*2017 Bonds*”), in one or more series and in an aggregate principal amount not to exceed \$4,000,000, the proceeds of which will be loaned to Stepping Stones Academy, Inc. (the “*Borrower*”), an Arizona nonprofit corporation, which is exempt from taxation under Section 501(c)(3) of the United States Internal Revenue Code of 1986, as amended.

As always, this issuance of the 2017 Bonds is subject to the approval of the Pima County Board of Supervisors. Therefore, the Authority respectfully requests that this matter be placed on the Board of Supervisors’ Regular Meeting Agenda scheduled for September 19, 2017, for the purpose of having the Board of Supervisors approve the action of the Authority. Enclosed herewith are the following:

1. Fact Summary; and
2. Resolution of the Board of Supervisors.

Attached is a copy of the Resolution approved by the Authority. In the opinion of Bond Counsel, no public hearing is required to be held pursuant to the code and federal income tax regulations for the issuance of the 2017 Bonds.

The Authority previously issued its \$29,675,000 The Industrial Development Authority of the County of Pima Education Revenue Bonds (Charter School Refunding Project), Series 2013Q (the “**Series 2013Q Bonds**”), pursuant to the Ninth Supplemental Indenture of Trust, dated May 1, 2013 (the “**Ninth Supplement**”), supplementing the Amended and Restated Indenture of Trust, dated as of December 1, 2001, as further amended, restated, and supplemented from time to time, a portion of the proceeds of which were loaned to the Borrower under a Loan Agreement, dated as of May 1, 2013, between the Authority and the Borrower.

The proceeds of the 2017 Bonds will be loaned to the Borrower to (i) refunding a portion of the Series 2013Q Bonds and other taxable indebtedness thereby refinance the costs of acquisition, construction, improvement, renovation, operation and equipping of land and charter school facilities located at 35812 North 7th Street in Phoenix, Arizona (the “*Charter School Facility*”), (ii) financing the construction and equipping of a gymnasium at the Charter School Facility, and, (iii) paying certain issuance expenses relating (the “*2017 Project*”).

The 2017 Bonds are to be issued in accordance with Title 35, Chapter 5, of the Arizona Revised Statutes, as amended (the “*Act*”). The 2017 Bonds will be issued as fully registered Bonds and will be directly purchased by Western Alliance Bank. The 2017 Bonds will be issued without a rating and initially in denominations equal to the outstanding principal amount of each bond (but at minimum \$100,000). The 2017 Bonds will be sold only to “Qualified Institutional Buyers” within the meaning of Rule 144A of the Rules adopted pursuant to the Securities Act of 1933, as amended, or “Accredited Investors” within the meaning of Rule 501 of the Rules governing the limited offer and sale of securities without registration under the Securities Act of 1933. Although the Borrower’s portion of the Series 2013Q Bonds was part of the charter school pool, the 2017 Bonds will not be part of any pool bond issue with any other borrower.

As always, the 2017 Bonds are special limited obligations of the Authority. The 2017 Bonds are payable solely from payments made by the Borrower pursuant to a financing agreement and secured by a deed of trust on the site of the 2017 Project. Such payments are pledged to the Bondholders pursuant to the financing agreement among the Authority, the Borrower, and Western Alliance Bank. Neither the faith and credit, nor the taxing power of the Authority or Pima County or any other political subdivision thereof, are pledged to the payment of the 2017 Bonds. The Authority has no taxing power.

I will be available prior to the meeting to answer any questions you may have, or to meet with you at your convenience.

Thank you for your consideration of this matter.

Sincerely,

RUSSO, RUSSO & SLANIA, P.C.

/s/

Michael A. Slania
Attorney for the Authority

MAS/jc
Enclosures

Pima County Board of Supervisors

September 12, 2017

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c: Julie Castañeda, Clerk (w/enclosures)
Regina Nassen, Esq., Counsel to the Board
Charles Huckelberry, Pima County Administrator
Jan Leshner, Deputy Pima County Administrator

FACT SUMMARY
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE COUNTY OF PIMA
EDUCATION FACILITY REVENUE AND REFUNDING BONDS
(STEPPING STONES ACADEMY PROJECT), SERIES 2017

The following is a brief Fact Summary of the proposed bond issue.

- The 2017 Bonds As part of its program for financing Arizona charter schools, the Authority will issue its Education Facility Revenue and Refunding Bonds (Stepping Stones Academy Project), Series 2017 (the “2017 Bonds”), in an original principal amount not to exceed \$4,000,000 and a maturity date not to exceed 40 years. The 2017 Bonds will bear interest at a fixed rate. The average interest rate on the 2017 Bonds shall not be greater than 12 percent per annum (except following an event of default or taxability or a change in the corporate tax rate). The 2017 Bonds may be redeemed at the option of the Borrower with the consent of the Authority and, under certain circumstances, must be redeemed prior to their stated maturity date.
- Private Placement The 2017 Bonds will be issued without a rating, as a single bond for each series in minimum denominations reflecting the outstanding principal amount of each series of bond, or at least \$100,000 in denomination. The 2017 Bonds will be purchased by Western Alliance Bank as an “Qualified Institutional Buyer” within the meaning of Rule 144(A) of the rules adopted pursuant to the Securities Act of 1933, as amended, or “Accredited Investor” within the meaning of Rule 501 of the rules governing the limited offering and sale of securities without registration adopted pursuant to the Securities Act of 1933, as amended, as evidenced by an investor letter. The 2017 Bonds will be directly purchased with Western Alliance Bank.
- The Borrower Stepping Stones Academy, Inc., an Arizona nonprofit corporation (the “Borrower”), which is an organization described in Section 501(c)(3) of the Code.
- The 2013Q Bonds The Authority previously issued its \$29,675,000 The Industrial Development Authority of the County of Pima Education Revenue Bonds (Charter School Refunding Project), Series 2013Q (the “Series 2013Q Bonds”), pursuant to the Ninth Supplemental Indenture of Trust, dated May 1, 2013 (the “Ninth Supplement”), supplementing the Amended and Restated Indenture of Trust, dated as of December 1, 2001, as further amended, restated, and supplemented from time to time, a portion of the proceeds of which were loaned to the Borrower under a Loan Agreement, dated as of May 1, 2013, between the Authority and the Borrower.

The 2017 Project The proceeds of the 2017 Bonds will be used for the purpose of (i) refunding a portion of the Series 2013Q Bonds and other taxable indebtedness thereby refinancing the costs of acquisition, construction, improvement, renovation, operation and equipping of land and charter school facilities located at 35812 North 7th Street, Phoenix, Arizona (the “*Charter School Facility*”), (ii) financing the construction and equipping of a gymnasium at the Charter School Facility, and (iii) paying certain issuance expenses (collectively, the “*Project*”).

Documentation Pursuant to a Financing Agreement among the Authority, the Borrower, and Western Alliance Bank, the Borrower has agreed to make payments to, or on behalf of, the Authority sufficient to pay the principal of, premium, if any, and interest on the 2017 Bonds when due. The Borrower’s obligations under the Financing Agreement will be secured by a Deed of Trust, which will be recorded on the Charter School Facility.

Security for the 2017 Bonds The loan to the Borrower will be secured by (a) a mortgage lien and security interest in the land, buildings, fixtures and equipment owned by the Borrower constituting the Charter School Facility, and (b) an assignment of the leases, rents and all other revenues of the Borrower (including certain State revenues due to the Borrower).

The Authority has no taxing power. The 2017 Bonds and the interest thereon are not a general obligation of the Authority and are not an indebtedness of the Authority, Pima County, the State of Arizona, or any political subdivision thereof within the meaning of any Arizona constitutional or statutory provision whatsoever. Principal of, premium, if any, and interest on the 2017 Bonds are payable solely out of the revenues derived from the Financing Agreement (other than to the extent payable out of proceeds of the 2017 Bonds or income from the temporary investment thereof). Neither the faith and credit nor the taxing power, if any, of the Authority, Pima County, the State of Arizona, or any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or interest on the 2017 Bonds.

RESOLUTION NO. 2017 - ___

A RESOLUTION OF THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA APPROVING THE PROCEEDINGS OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF PIMA REGARDING THE ISSUANCE OF ITS NOT TO EXCEED \$4,000,000 EDUCATION FACILITY REVENUE AND REFUNDING BONDS (STEPPING STONES ACADEMY PROJECT), SERIES 2017 AND DECLARING AN EMERGENCY

WHEREAS, The Industrial Development Authority of the County of Pima (the "*Authority*") pursuant to the Industrial Development Financing Act, Title 35, Chapter 5, Arizona Revised Statutes, as amended (the "*Act*"), is authorized to issue and sell its Education Facility Revenue and Refunding Bonds (Stepping Stones Academy Project), Series 2017, in one or more series or subseries (the "*Bonds*"), the proceeds of which are to be loaned to Stepping Stones Academy, Inc., (the "*Borrower*"), an Arizona nonprofit corporation, to aid in (i) refinancing the costs of acquisition, construction, improvement, renovation, operation and equipping of land and charter school facilities located at 35812 North 7th Street, Phoenix, Arizona (the "*Charter School Facility*") which was previously financed through a portion of the Authority's Education Revenue Bonds (Charter School Refunding Project) Series 2013Q, (ii) financing the construction and equipping of a gymnasium at the Charter School Facility, and, (iii) paying certain issuance expenses (the "*2017 Project*"); and

WHEREAS, on September 12, 2017, the Authority resolved to issue the Bonds in one or more tax-exempt or taxable series or subseries and in an aggregate amount not to exceed \$4,000,000 (the "*Authority's Resolution*"), such issuance being conditioned upon, among other things, the granting of approval to the issuance of the Bonds by the Pima County Board of Supervisors; and

WHEREAS, the Authority's Resolution has been made available to the Pima County Board of Supervisors, and the Authority's Resolution has been duly considered this date; and

WHEREAS, the Authority's Resolution authorizes, among other things, the issuance of the Bonds, the execution and delivery of (a) a Financing Agreement among the Authority, the Borrower, Western Alliance Bank - (the "*Financing Agreement*"), (b) a Depository Trust Agreement, between the Authority and BOKF, NA, as depository trustee (the "*Depository Trust Agreement*") and (c) such other documents as required for the issuance of the Bonds; and

WHEREAS, the terms, maturities, provisions for redemption, security and sources of payment for the Bonds are set forth in the Financing Agreement and the form of Bonds themselves; and

WHEREAS, copies of said documents have been made available to the Pima County Board of Supervisors, together with the Authority's Resolution; and

WHEREAS, the Pima County Board of Supervisors has been informed that said

documents have been reviewed by competent Bond Counsel, Sacks Tierney, P.A., and Steptoe & Johnson PLLC, as special tax counsel, and said Bond Counsel and special tax counsel have determined that said documents adequately meet the requirements of the Act and the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, in accordance with Section 35-721.B of the Act, the proceedings of the Authority under which the Bonds are to be issued require the approval of the Board of Supervisors of the issuance of the Bonds; and

WHEREAS, this Board has presented to it information regarding the Bonds and is further informed and advised with regard to the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF PIMA COUNTY, ARIZONA, as follows:

1. Pursuant to the Act, the Board of Supervisors, as the governing body of the Authority, hereby approves the Bonds and the proceedings under which the Bonds are to be issued by the Authority, including specifically the Authority’s Resolution, the Financing Agreement, the Depository Trust Agreement and all other related or appropriate documents;
2. This Resolution shall be in full force and effect from and after its passage as provided by law, and any provisions of any previous resolutions in conflict with the provisions herein are hereby superseded;
3. The appropriate officers of the Pima County Board of Supervisors are hereby authorized and directed to do all such things and to execute and deliver all such documents on behalf of Pima County as may be necessary or desirable to effectuate the intent of this Resolution and the Authority’s Resolution in connection with the issuance of the Bonds; and
4. It is necessary for the preservation of the peace, health and safety of the County that this resolution becomes immediately effective, and, accordingly, an emergency is hereby declared to exist, and this resolution shall be effective immediately upon its passage and adoption.

PASSED, ADOPTED AND APPROVED by the Board of Supervisors of Pima County,
Arizona this ____ day of September, 2017.

Sharon Bronson, Chair
PIMA COUNTY BOARD OF SUPERVISORS

ATTEST:

Julie Castañeda, Clerk
PIMA COUNTY BOARD OF SUPERVISORS

APPROVED AS TO FORM:

SACKS TIERNEY, P.A.
Bond Counsel

By:  _____