

RUSSO, RUSSO & SLANIA, P.C.

ATTORNEYS AT LAW

6700 NORTH ORACLE ROAD

SUITE 100

TUCSON, ARIZONA 85704

(520) 529-1515

1-800-655-1336

FAX (520) 529-9040

STEVEN RUSSO
MICHAEL A. SLANIA
PATRICK E. BROOM

RUSSELL RUSSO
OF COUNSEL
JOSEPH D. CHIMIENTI
ADAM J. PELZ

October 4, 2017

VIA PREMIER SUPPORT SERVICE

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 Bonds (American Leadership Academy Project), Series 2017 – In an Amount Not to Exceed \$200,000,000

Dear Ms. Chair and Members of the Board:

As part of its statewide program for financing Arizona charter schools, at a special meeting held on October 2, 2017, The Industrial Development Authority of the County of Pima (the “*Authority*”), granted its final approval to a resolution authorizing the issuance of its Education Facility Revenue Bonds (American Leadership Academy Project), Series 2017 (the “*2017 Bonds*”), in one or more series or subseries and in an aggregate principal amount not to exceed \$200,000,000, the proceeds of which will be loaned to American Leadership 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 October 17, 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.

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.

In 2012, the Authority previously issued its Education Facility Revenue Bonds (American Leadership Academy Project), Series 2012A, in the original principal amount of \$10,975,000 and its subordinate Education Facility Revenue Bonds (American Leadership Academy Project), Series 2012B, in the original aggregate principal amount of \$454,025 (collectively, the “2012 Bonds”), to benefit the Borrower. The proceeds of the 2012 Bonds were used to finance and/or refinance the costs of acquiring, constructing, improving, equipping and operating a charter school facility located at or near 34696 North Village Lane in San Tan Valley, Arizona; (ii) the funding of any required reserve fund as set forth in such Indenture; (iii) paying capitalized interest, if any; and (iv) paying certain issuance expenses (the “2012 Project”).

In 2015, the Authority previously issued its Education Facility Revenue Bonds (American Leadership Academy Project), Series 2015, in the original principal amount of \$24,890,000 (the “2015 Project”), to (i) refinance the 2012 Project through the refunding of the Authority’s 2012 Bonds, (ii) finance or refinance the costs of acquisitions, construction, improvement, renovation, operation and equipping of land and charter school facilities located at 34696 North Village Lane in San Tan Valley, Arizona, 4507 South Mountain Road in Mesa, Arizona, and 4308 North Hunt Highway in Florence, Arizona, (iii) fund any reserves as set forth in the Indenture applicable to the 2015 Bonds, (iv) pay capitalized interest, if any, on the 2015 Bonds, and (v) pay certain issuance expenses relating to the 2015 Bonds.

In 2017, the Authority also previously issued its Education Facility Revenue Loan Obligations (American Leadership Academy Project), Series 2017, in the original principal amount of \$12,780,000 (the “2017 Obligations”), to (i) finance or refinance the costs to acquire, construct, improve, rehabilitate, renovate, expand, operate and equip land and charter school finance facilities located at 22512 South Signal Butte Road in Queen Creek, Arizona (the “Signal Butte Project Site”), (ii) funding of any required reserves, (iii) paying the capitalized interest, if any, on the 2017 Obligations, and (iv) paying certain issuance expenses.

The proceeds of the 2017 Bonds will be loaned to the Borrower for the purposes of (i) financing or refinancing the costs of acquisition, construction, improvement and equipping of land and charter school facilities located at (a) 1010 S. Higley Road and 1070 S. Higley Road in Gilbert, Arizona, (b) 19843 and 19935 East Chandler Heights Road and 23908, 23618, 23630, 23642 and 2642 South Hawes Road in Queen Creek, Arizona, (c) 650 West Combs Road and 850 West Combs Road in Queen Creek, Arizona, and (d) 3155 South San Tan Village Parkway in Gilbert, Arizona (ii) funding of any required reserves, (iii) paying capitalized interest, if any, on such Bonds, and (iv) paying certain issuance expenses (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 publicly offered by BB&T Capital Markets, a division of BB&T Securities, LLC. The

2017 Bonds will be issued without a rating in denominations of \$25,000 and integral multiples of \$5,000 thereafter and 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 on parity with the 2015 Bonds and the 2017 Obligations, the 2017 Bonds will not be part of any pool bond issue with other borrowers. In addition, the Borrower has applied to the Arizona Public School Credit Enhancement Board for credit enhancement from them on a portion of the Bonds. That Board has not yet considered this application, but the Borrower will probably move forward even if the credit enhancement is not provided. If any of the 2017 Bonds are approved for credit enhancement, those 2017 Bonds will be sold in authorized denominations of \$5,000 and will not be subject to the purchase and transfer restrictions described above.

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 loan agreement and secured by a deed of trust on the Project site. Such payments are pledged to the Bondholders pursuant to an Indenture of Trust, as supplemented or amended, between the Authority and UMB Bank, N.A., as trustee. 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

cc: Ms. Julie Castañeda w/enclosures
Regina Nassen, Esq., Counsel to the Board
Mr. Charles Huckelberry, Pima County Administrator
Ms. Jan Leshner, Deputy Pima County Administrator

FACT SUMMARY
THE INDUSTRIAL DEVELOPMENT AUTHORITY
OF THE COUNTY OF PIMA
EDUCATION FACILITY REVENUE BONDS
(AMERICAN LEADERSHIP 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 Bonds (American Leadership Academy Project), Series 2017 (the “ <i>2017 Bonds</i> ”), in an original principal amount not to exceed \$200,000,000 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. 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.
Public Sale	The 2017 Bonds will be issued without a rating, but in minimum denominations of \$25,000 and \$5,000 thereafter, and sold only to “Qualified Institutional Buyers” within the meaning of Rule 144(A) 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 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 sold by BB&T Capital Markets, a division of BB&T Securities, LLC, pursuant to a Limited Offering Memorandum.
The Borrower	American Leadership Academy, Inc., an Arizona nonprofit corporation (the “ <i>Borrower</i> ”), has been determined by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Code.
The 2012 Bonds	The Authority previously issued its Education Facility Revenue Bonds (American Leadership Academy Project), Series 2012A, in the original principal amount of \$10,975,000 and its subordinate Education Facility Revenue Bonds (American Leadership Academy Project), Series 2012B, in the original aggregate principal amount of \$454,025 (collectively, the “ <i>2012 Bonds</i> ”) to benefit of the Borrower. The process of the 2012 Bonds were used to finance the 2012 Project (defined below).

The 2012 Project Site	The Borrower acquired an approximately 8.5 acre site for a charter school located at or near 34696 North Village Lane in San Tan Valley, Arizona (the “ <i>San Tan Site</i> ”).
The 2012 Project	The proceeds of the 2012 Bonds were used for the purpose of (i) financing and/or refinancing the acquisition of the San Tan Site, and the construction, improvement, operation and equipping of approximately 38,000 square feet of charter school facilities, used for the operation of a K-12 school thereon, and the improvements, (ii) funding of any required reserve fund as set forth in that 2012 Indenture, (iii) paying capitalized interest on the 2012 Bonds, and (iv) paying certain issuance expenses (collectively, the “ <i>2012 Project</i> ”).
The 2015 Bonds	The Authority has previously issued its Education Facility Revenue Bonds (American Leadership Academy Project), Series 2015, in the original principal amount of \$24,890,000 (the “ <i>2015 Bonds</i> ”) to benefit of the Borrower. The proceeds of the 2015 Bonds were used to finance the 2015 Project (defined below).
The 2015 Project	The proceeds of the 2015 Bonds were used to (i) refinance the 2012 Project through the refunding of the Authority’s 2012 Bonds, (ii) finance or refinance the costs of acquisition, construction, improvement, renovation, operation and equipping of land and charter school facilities located at the San Tan Site, 4507 South Mountain Road in Mesa, Arizona (the “ <i>Mesa Site</i> ”), (iii) fund any required reserves as set forth in the Indenture, (iv) pay capitalized interest, if any, on the 2015 Bonds, and (v) pay certain issuance expenses.
The 2017 Obligations.	The Authority previously issued its Education Facility Revenue Loan Obligations (American Leadership Academy Project), Series 2017 in the original principal amount of \$12,780,000 (the “ <i>2017 Obligations</i> ”) to benefit the Borrower. The proceeds of the 2017 Obligations were used to finance the 2017 Signal Butte Project (defined below).
The 2017 Signal Butte Project ..	The proceeds of the 2017 Obligations were used to (i) finance or refinance the costs to acquire, construct, improve, rehabilitate, renovate, expand, operate and equip land and charter school facilities located at 22512 South Signal Butte Road in Queen Creek, Arizona (the “ <i>Signal Butte Site</i> ”), (ii) funding of any required reserves, (iii) paying capitalized interest, if any, on the 2017 Obligations, and (iv) paying certain issuance expenses.

The 2017 Project

The proceeds of the 2017 Bonds will be used for the purposes of (i) financing or refinancing the costs of acquisition, construction, improvement and equipping of land and charter school facilities located at (a) 1010 S. Higley Road and 1070 S. Higley Road in Gilbert, Arizona, (b) 19843 and 19935 East Chandler Heights Road and 23908, 23618, 23630, 23642 and 2642 South Hawes Road in Queen Creek, Arizona, (c) 650 West Combs Road and 850 West Combs Road in Queen Creek, Arizona, and (d) 3155 South San Tan Village Parkway in Gilbert, Arizona (collectively, the “2017 Project Site”), (ii) funding of any required reserves at set forth in the Indenture, (iii) paying capitalized interest, if any, on such Bonds, and (iv) paying certain issuance expenses.

Documentation

Pursuant to a Loan Agreement between the Authority and the Borrower, the Borrower has agreed to make payments to 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 Loan Agreement Supplement No. 1 will be secured by one or more Deeds of Trust which may be amendments or modifications to existing Deeds of Trust, which will be recorded on each property in the 2017 Project Site.

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 campuses at the San Tan Site, the Mesa Site, and the 2017 Project Site, 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 Loan 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.

Possible Credit Enhancement

The Borrower has applied for credit enhancement from the Arizona Public School Credit Enhancement Board on a series of bonds. This credit enhancement is to be considered by that Board based upon the Borrower's admission in an Achievement District based upon the receipt of a letter grade of "A" from the State. If any of the 2017 Bonds are approved for credit enhancement, those 2017 Bonds will be sold in authorized denominations of \$5,000 and will not be subject to the purchase and transfer restrictions described above.

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 \$200,000,000
EDUCATION FACILITY REVENUE BONDS (AMERICAN
LEADERSHIP 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 Bonds (American Leadership Academy Project), Series 2017, in one or more series or subseries (the “*Bonds*”), the proceeds of which are to be loaned to American Leadership Academy, Inc. (the “*Borrower*”), an Arizona nonprofit corporation, for the purposes of (i) financing or refinancing the costs of acquisition, construction, improvement and equipping of land and charter school facilities located at (a) 1010 S. Higley Road and 1070 S. Higley Road in Gilbert, Arizona, (b) 19843 and 19935 East Chandler Heights Road and 23908, 23618, 23630, 23642 and 2642 South Hawes Road in Queen Creek, Arizona, (c) 650 West Combs Road and 850 West Combs Road in Queen Creek, Arizona, and (d) 3155 South San Tan Village Parkway in Gilbert, Arizona (ii) funding of any required reserves, (iii) paying capitalized interest, if any, on such Bonds, and (iv) paying certain issuance expenses (the “*2017 Project*”); and

WHEREAS, on October 2, 2017, the Authority resolved to issue the Bonds in one or more series or subseries and in an aggregate amount not to exceed \$200,000,000 (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 First Supplemental Indenture of Trust, between the Authority and UMB Bank, N.A., supplementing the Indenture of Trust dated as of December 1, 2015 (collectively the “*Indenture*”), (b) a Loan Agreement Supplement No. 1 supplementing the Loan Agreement dated as of December 1, 2015 (collectively, the “*Loan Agreement*”), between the Authority and the Borrower, 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 Indenture, the Loan 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, Kutak Rock LLP, and said Bond Counsel has 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 Indenture, the Loan 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 _____, 2017.

Sharon Bronson, Chair
PIMA COUNTY BOARD OF SUPERVISORS

ATTEST:

Julie Castaneda, Clerk
PIMA COUNTY BOARD OF SUPERVISORS

APPROVED AS TO FORM:

KUTAK ROCK LLP,
Bond Counsel

By: _____

A handwritten signature in black ink, appearing to read "Chris Dawson", is written over a horizontal line.