

RUSSO, RUSSO & SLANIA, P.C.

ATTORNEYS AT LAW

6700 NORTH ORACLE ROAD
SUITE 100
TUCSON, ARIZONA 85704

STEVEN RUSSO
MICHAEL A. SLANIA
PATRICK E. BROOM

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

(520) 529-1515
1-800-655-1336
FAX (520) 529-9040

November 6, 2017

VIA PREMIER LEGAL SERVICES

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 Refunding Revenue Bonds (Milestones Charter School Refunding Project), Series 2017A&B – In an Amount Not to Exceed \$15,000,000

Dear Ms. Chair and Members of the Board:

As part of its statewide program for financing Arizona charter schools, at a meeting held on November 13, 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 Refunding Revenue Bonds (Milestones Charter School Refunding Project), Series 2017A&B (the “*2017 Bonds*”), in one or more series and in an aggregate principal amount not to exceed \$15,000,000, the proceeds of which will be loaned to Milestones Charter School (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 November 21, 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.

On October 30, 2017, the Arizona Industrial Development Authority held a public hearing in order to comply with the Federal requirements. Additionally, on November 17, 2017, the Authority will hold a public hearing in order to comply with the Federal requirements. You will be immediately informed if there are any objections at the hearing on the project or the issuance of the Bonds.

In 2003, the Authority previously issued its Education Facility Revenue Bonds (Milestones Charter School Project), Series 2003, in the original principal amount of \$4,680,000 (the “*2003 Bonds*”), to benefit the Borrower. The proceeds of the 2003 Bonds were used for (i) financing the costs of acquisition, construction, improvement, and equipping of an approximately 24,250 square foot charter school facility located at 4707 East Robert E. Lee Street in Phoenix, Arizona (the “*Series 2003 Facility*”); (ii) funding a debt service reserve fund for the Series 2003 Bonds; (iii) paying capitalized interest on the Series 2003 Bonds; and (iv) paying certain issuance expenses of the Series 2003 Bonds (the “*2003 Project*”).

In 2005, the Authority previously issued its Education Facility Revenue Bonds (Milestones Charter School Project), Series 2005, in the original principal amount of \$3,700,000 (the “2005 Bonds”), to benefit the Borrower. The proceeds of the 2005 Bonds were used for: (i) acquiring, constructing, and equipping of an approximately 24,000 square foot addition to the Series 2003 Facility (the “*Series 2005 Addition*”, and, together with the Series 2003 Facility, the “*Financed Facilities*”); (ii) funding a debt service reserve fund for the Series 2005 Bonds; (iii) paying capitalized interest on the Series 2005 Bonds; and, (iv) paying certain issuance expenses of the Series 2005 Bonds (the “*2005 Project*”).

The proceeds of the 2017 Bonds will be loaned to the Borrower for the purposes of (a) refunding Series 2003 Bonds; (b) refunding the Series 2005 Bonds; (c) funding a debt service reserve fund; (d) refunding certain other existing debt used for capital expenditures with respect to the Financed Facilities or working capital with respect to the Financed Facilities; (e) financing additional capital expenditures or working capital with respect to the Financed Facilities; and (f) paying certain costs of issuance (collectively, the “*Series 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 privately placed by Hutchinson, Shockey, Erley & Co. The 2017 Bonds will be issued without a rating in denominations of \$100,000 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. The 2017 Bonds will not be part of any pool bond issue.

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 Series 2017 Project site. Such payments are pledged to the bondholders pursuant to an indenture of trust 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/

Steven Russo
Attorney for the Authority

SR/sgt
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 REFUNDING REVENUE BONDS
(MILESTONES CHARTER SCHOOL REFUNDING PROJECT), SERIES 2017A&B

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 Refunding Revenue Bonds (Milestones Charter School Refunding Project), Series 2017 (the “2017 Bonds”), in an original principal amount not to exceed \$15,000,000 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 \$100,000 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 Hutchinson, Shockey, Erley & Co., as placement agent, pursuant to a Limited Offering Memorandum.
- The Borrower Milestones Charter School, an Arizona nonprofit (the “Borrower”), has been determined by the Internal Revenue Service to be an organization described in Section 501(c)(3) of the Code.
- The 2003 Bonds The Authority previously issued its Education Facility Revenue Bonds (Milestones Charter School Project), Series 2003, in the original principal amount of \$4,680,000 (collectively, the “2003 Bonds”) to benefit the Borrower. The proceeds of the 2003 Bonds were used to finance the 2003 Project (defined below).
- The Project Site The Borrower acquired an approximately 5.38 acre site for a charter school located at or near 4707 East Robert E. Lee Street, Phoenix Arizona.

The 2003 Project	The proceeds of the 2003 Bonds were used for the purpose of (i) financing the cost of acquisition, construction, improvement and equipping of an approximately 24,250 square foot charter school facility located at 4707 East Robert E. Lee Street in Phoenix, Arizona (the “ <i>Series 2003 Facility</i> ”); (ii) funding a debt service reserve fund for the Series 2003 Bonds; (iii) paying capitalized interest on the Series 2003 Bonds; and (iv) paying certain issuance expenses of the Series 2003 Bonds (collectively, the “ <i>2003 Project</i> ”).
The 2005 Bonds	The Authority previously issued its Education Facility Revenue Bonds (Milestones Charter School Project), Series 2005, in the original principal amount of \$3,700,000 (collectively, the “ <i>2003 Bonds</i> ”) to benefit the Borrower. The proceeds of the 2003 Bonds were used to finance the 2005 Project (defined below).
The 2005 Project	The proceeds of the 2005 Bonds were used for the purpose of: (i) acquiring, constructing, and equipping of an approximately 24,000 square foot addition to the Series 2003 Facility (the “ <i>Series 2005 Addition</i> ”, and, together with the Series 2003 Facility, the “ <i>Financed Facilities</i> ”); (ii) funding a debt service reserve fund for the Series 2005 Bonds; (iii) paying capitalized interest on the Series 2005 Bonds; and, (iv) paying certain issuance expenses of the Series 2005 Bonds (collectively, the “ <i>2005 Project</i> ”).
The 2017 Project	The proceeds of the 2017 Bonds will be used for the purposes of (a) refunding the 2003 Bonds; (b) refunding the 2005 Bonds; (c) funding a debt service reserve fund; (d) refunding certain other existing debt used for capital expenditures with respect to the Financed Facilities or working capital with respect to the Financed Facilities; (e) financing additional capital expenditures or working capital with respect to the Financed Facilities; and (f) paying certain issuance expenses (collectively, the “ <i>Series 2017 Project</i> ”).
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 will be secured by a Deed of Trust, which will be recorded on the 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 campus at the Financed Facilities, 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.

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 \$15,000,000 EDUCATION FACILITY REFUNDING REVENUE BONDS (MILESTONES CHARTER SCHOOL REFUNDING PROJECT), SERIES 2017A&B 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 Refunding Revenue Bonds (Milestones Charter School Refunding Project), Series 2017A&B, in one or more series or subseries (the “*Bonds*”), the proceeds of which are to be loaned to Milestones Charter School (the “*Borrower*”), an Arizona nonprofit corporation, for the purposes of (a) refunding The Industrial Development Authority of the County of Pima Education Facility Revenue Bonds (Milestones Charter School Project) Series 2003 (the “*Series 2003 Bonds*”), the proceeds of which were used for the following purposes: (i) financing a portion of the cost of acquiring, constructing, improving and equipping of an approximately 24,250 square foot charter school facility located at 4707 East Robert E. Lee Street in Phoenix, Arizona 85032 (the “*Series 2003 Facility*”); (ii) funding a debt service reserve fund; (iii) paying capitalized interest; and (iv) paying certain costs of issuance; (b) refunding The Industrial Development Authority of the County of Pima Education Facility Revenue Bonds (Milestones Charter School Project) Series 2005 (the “*Series 2005 Bonds*”), the proceeds of which were used for the following purposes: (i) financing a portion of the cost of acquiring, constructing, and equipping of an approximately 24,000 square foot addition to the Series 2003 Facility (the “*Series 2005 Addition*”, and, together with the Series 2003 Facility, the “*Facility*”); (ii) funding a debt service reserve fund; (iii) paying capitalized interest; and, (iv) paying certain costs of issuance; (c) funding a debt service reserve fund; (d) refunding certain other existing debt used for capital expenditures with respect to the Facility or working capital with respect to the Facility; (e) financing additional capital expenditures or working capital with respect to the Facility; and (f) paying certain costs of issuance. (collectively, the “*Series 2017 Project*”); and

WHEREAS, we have been informed that the Borrower is a 501(c)(3) organization and is the owner and operator of the Facility; and

WHEREAS, on November 13, 2017, the Authority resolved to issue the Bonds in one or more series or subseries and in an aggregate amount not to exceed \$15,000,000 (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 on this date; and

WHEREAS, the Authority's Resolution authorizes, among other things, the issuance of the Bonds, the execution and delivery of (a) an Indenture of Trust, by and between the Authority and UMB Bank, n.a. (the "*Indenture*"), (b) a Loan Agreement (the "*Loan Agreement*"), by and 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, pursuant to Section 147(f) of the Code, the chief elected official representing this Board of Supervisors must approve the issuance of the Bonds after a public hearing following reasonable public notice, which hearing has been conducted by the Authority; 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 issued by the Authority, including specifically the Authority's Resolution, the Indenture, the Loan Agreement, and all other related or appropriate documents;
2. Pursuant to Section 147(f) of the Code and the Act, the Board of Supervisors, as the governing body of the Authority and the applicable elected representative of the governmental unit issuing the Bonds, 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;

3. 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;

4. 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

5. 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 Castañeda, Clerk
PIMA COUNTY BOARD OF SUPERVISORS

APPROVED AS TO FORM:

KUTAK ROCK LLP,
Bond Counsel

By: Kutak Rock LLP