

Minutes
of the
Regular Meeting of the Board of Directors of
The Industrial Development Authority of the County of Maricopa
(the "Authority")

Date: June 14, 2022, 9:30 a.m.

Place: GoToMeeting - virtually

Presiding: Jim Rounds

Present: Jim Rounds, Ronald J. Castro, Jr., Ronald L. Westad, Andrew M. Cohn, Lisa A. James, Jose Martinez and Freddie Bracamonte

Absent: Jeremey Stawiecki and Rebecca Burnham

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Mary Misic

Business Development Officer: Gregg Ghelfi

Attorney: William F. Wilder and John J. Fries of Clark Hill

Guests: Jake Hinman, Courtney LeVinus, Andrew Collins, Terry Warren, Bryant Barber, and Alison Rapping

Mr. Rounds called the Regular Meeting of the Board of Directors to order at 9:30 a.m., noting the presence of a quorum.

1. APPROVAL OF MINUTES OF THE REGULAR MEETING OF THE BOARD HELD ON APRIL 12, 2022.

On motion made by Mr. Cohn and seconded by Mr. Westad, the minutes of the April 12, 2022, Regular Meeting were approved as written.

The motion passed unanimously by a vote of (6-0).

2. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION GRANTING FINAL APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$6,500,000 OF THE

AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF NEW LEARNING VENTURES, INC.

Mr. Martinez joined the meeting at 9:33 a.m.

Mr. Fries explained that this financing in an amount not to exceed \$6.5 million is for the benefit of New Learning Ventures, Inc. (the "Applicant") to finance its charter school located at 200 East Mitchell Dr, Phoenix, Arizona – the Phoenix Modern Charter School. The Applicant plans to use the bond proceeds to purchase the campus from a third party, along with equipping and operating the school.

Mr. Fries introduced Terry Warren, Applicant's counsel, along with Andrew Collins, CEO of the Applicant.

Mr. Fries said he would recommend approval of the financing.

Messrs. Warren and Collins responded to questions from the Board regarding the current lease, purchase price of the property, and the financial capacity of the Applicant.

There was then a discussion regarding the requested bond amount compared to actual costs. A suggestion was made to modify the amount the Board approves to \$6 million rather than \$6.5 million.

After further discussion and upon motion made by Mr. Cohn and seconded by Mr. Castro, the following was adopted:

RESOLVED to adopt a Resolution in the form presented to the meeting granting final approval of the issuance of not to exceed \$6,000,000 of the Authority's Education Revenue Bonds (New Learning Ventures Project), Series 2022.

The motion passed unanimously by a vote of (7-0).

3. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION AUTHORIZING, APPROVING AND RATIFYING A SUPPLEMENTAL INDENTURE AND OTHER ACTIONS WITH REGARD TO THE DEFEASANCE OF THE SENIOR LIVING FACILITIES REVENUE REFUNDING BONDS (CHRISTIAN CARE MESA II PROJECT, SERIES 2014) AND THE (CHRISTIAN CARE RETIREMENT APARTMENTS, INC. PROJECT, SERIES 2016).

Mr. Fries explained that this agenda item is to correct a technical defect on prior bond issues financed through the Authority for the benefit of Christian Care. As background – Christian Care tried to defease their bonds (redeem their bonds and post a deposit with a depository agent who will then pay out the bonds when they come due) in January 2022.

At the time, Chrisitan Care had enough cash to do so; however, there was a technical problem with the Trust Indentures.

The Indentures allowed them to deposit a non-callable defeasance obligation with the supporting verification report and an AA rating from a rating agency.

Christian Care proposed to fund the Depository Trust Agreement by purchasing an Investment Agreement from Massachusetts Mutual Life Insurance Company ("MassMutual"), which has a long-term financial strength rating of "AA" from Standard & Poor's ("S&P"), as the non-callable "Defeasance Obligation."

Christian Care obtained a Verification Report confirming the sufficiency of the Investment Agreement to pay off their Bonds.

The Indentures under which the Christian Care bonds were issued did not expressly authorize the Investment Agreement as an authorized "Defeasance Obligation" and unexpectedly, S&P declined to issue a rating letter on the MassMutual Investment Agreement, a technical requirement under the Indentures.

Christian Care then sought direction and permission to modify the Indentures to permit the Investment Agreement to satisfy the defeasance requirements by filing companion lawsuits in the probate court in Minnesota (the "Probate Court"), which had jurisdiction over the trusteeships created by the Indentures. After appropriate notice and hearing, the Probate Court entered its Findings of Fact, Conclusions of Law and Order authorizing the Supplemental Indentures and the deposit of the Investment Account into the Depository Trust Account as a non-callable Defeasance Obligation under the Indentures.

Christian Care asks the Authority Board to adopt resolutions authorizing and ratifying the execution of Supplemental Indentures to allow the Christian Care bonds to be defeased for the benefit of Christian Care, consistent with and in accordance with the orders of the Probate Court.

Mr. Fries said he would recommend the adoption of the proposed resolutions to authorize the execution and delivery of Supplemental Indentures and such other actions as necessary and appropriate to defease the Christian Care bonds.

After further discussion and upon motion made by Mr. Westad and seconded by Mr. Cohn, the following was adopted:

RESOLVED to adopt the Resolutions in the form presented at the meeting authorizing the Executive Director or other officer of the Authority to enter into Supplemental Indentures and take such other actions as necessary or appropriate to affect the defeasance of its Senior Living Facilities Revenue Refunding Bonds, (Christian Care Mesa II, Project) Series 2014, and its

Senior Living Facilities Revenue Refunding Bonds (Christian Care Retirement Apartments, Inc Project) Series 2016.

The motion passed unanimously by a vote of (7-0).

4. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION APPROVING AND CONSENTING TO THE SALE OF THE CAPRI ON CAMELBACK PROJECT AND THE ASSUMPTION OF THE LAND USE RESTRICTION AGREEMENT.

Mr. Wilder reminded the Board the Capri on Camelback project was financed through the Authority in 2018. The project is now being sold to HGI Acquisitions, LLC (the “Purchaser”). The proceeds from the sale of the property will pay the bonds in full.

The Purchaser will be required to assume the Seller’s obligations under the Land Use Restriction Agreement (the “LURA”) encumbering the property, which runs for a period of 15 years from the date the bonds were issued (also called the Qualified Project Period (“QPP”). Mr. Wilder said he believes the remaining term left on the QPP would be May 2033.

Mr. Wilder said he would recommend approval of the proposed resolution, which would approve the sale of the property and the assumption of the LURA.

After further discussion, and upon motion made by Mr. Castro and seconded by Mr. Bracamonte, the following was adopted:

RESOLVED to adopt the Resolution in the form presented to the meeting authorizing and approving the sale of the Capri on Camelback Project and the assumption by HGI Acquisitions, LLC of the LURA encumbering the Capri on Camelback Project.

The motion passed unanimously by a vote of (7-0).

5. DISCUSSION AND ACTION AS DETERMINED TO AUTHORIZE THE EXECUTIVE DIRECTOR OF THE AUTHORITY TO APPROVE AND EXECUTE, ON BEHALF OF THE AUTHORITY, ANY AND ALL CHANGES TO DOCUMENTS RELATING TO BONDS ISSUED BY THE AUTHORITY, AS A RESULT OF THE LIBOR INTEREST RATE INDEX BEING TERMINATED AND AN ALTERNATIVE INTEREST RATE INDEX BEING ADOPTED IN PLACE OF THE LIBOR INTEREST RATE INDEX.

Mr. Wilder explained that the prevailing London Interbank Offered Rate (“LIBOR”), which has been used over the past 30 years by commercial banks throughout the world as a component of adjustable interest rates charged for loans, is being phased out as of June 2023. As a result, any transaction that was based on LIBOR will need to be renegotiated.

In the case of bond financings tied to the LIBOR index, it will be necessary for the bank bondholders and the borrowers of the bond proceeds to agree upon the interest rate to be paid on the bonds, unless an alternative rate index is provided for in the existing documents.

The United States Federal Reserve has approved the Secured Overnight Financing Rate ("SOFR") as a substitute for LIBOR. The SOFR rate is set on a daily basis based on actual transactions.

Changes will need to be made to various bond indentures and related documents for any financings with the rate based on LIBOR, which will require the approval of the Authority.

Mr. Wilder said, in order to be more efficient, he would recommend these changes be handled as an administrative matter by the Authority's Executive Director.

After further discussion, and upon motion made by Mr. Bracamonte and seconded by Mr. Castro, the following was adopted:

RESOLVED to authorize the Executive Director of the Authority to approve and execute, on behalf of the Authority, any and all changes to documents relating to bonds issued by the Authority, as a result of the LIBOR interest rate index being terminated and an alternative interest rate index being adopted in place of the LIBOR interest rate index.

The motion passed unanimously by a vote of (7-0).

6. UPDATE AND PRESENTATION BY REPRESENTATIVES OF AROUET FOUNDATION.

Alison Rapping of the Arouet Foundation was in attendance and gave an update on the Arouet Financial Opportunity Center.

Ms. Rapping explained that Arouet Foundation was created in 2011 to assist women impacted by the justice system, but it was rather dormant until 2017.

Ms. Rapping thanked the Board for the Authority's contribution to the program, and explained the program would not have been successful throughout the pandemic without the contributions from the Authority, LISC and United Way. Those three organizations allowed Arouet to grow from a fledgling \$100,000 organization to have a projected income of more than \$1 million by 2023.

Last year Arouet assisted over 320 women with a recidivism rate of 2.9%. Arizona has the fifth highest imprisonment rate in the country, and the incarceration cost is now over \$1.4 billion a year and is growing exponentially every year.

39% of people that are incarcerated will reoffend or have a technical violation that will cause them to go back to prison within three years.

86% of them have endured physical or emotional violence themselves, so the majority of women in the prison system are also victims of crime. The majority of women in our prison system are there for behavioral health issues, things they've done in a behavioral health crisis, emotional abuse, sex trafficked, and usually crimes that come out of being in an abusive environment.

Most incarcerated women are the primary caregivers of their children.

Ms. Rapping then discussed how their program works and the services they provide to the women coming out of the system.

7. LEGISLATIVE REPORT, DISCUSSION AND ACTION AS DETERMINED.

Ms. LeVinus noted the Legislative session is in day 156 of a 100-day session.

Ms. LeVinus reported there continues to be problems passing a budget because of the surplus of funds – with over \$1.5 billion of surplus – causing a battle on how to spend the excess funds.

8. FINANCIAL REPORT.

Ms. Scharbach referred to the financial statements included in the Board packages for the month ended May 31, 2022. Ms. Scharbach reviewed the May statements, and noted the Authority still has a very healthy unrestricted net position. Operating expenses are higher than in 2021, mostly due to staff moving into a new office space.

Ms. Scharbach reported that since 2013, the Authority has awarded close to \$45.8 million in grants throughout the County.

9. PAYMENT OF INVOICES.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the months ended April 30, 2022, and May 31, 2022.

Mr. Castro moved to approve payment of the invoices as submitted for the periods ended April 30, 2022, and May 31, 2022. Mr. Westad seconded the motion.

The motion passed unanimously by a vote of (7-0).

10. DISCUSSION AND ACTION AS DETERMINED REGARDING CONTRACTING WITH G&A CPAS AND ADVISORS TO PROVIDE ACCOUNTING SERVICES.

Ms. Scharbach explained that this request to renew G&A CPAs engagement letter is because the Governmental Accounting Standards Board requires accounting firms to obtain a new engagement letter each year.

The only change in the proposed engagement letter is G&A CPAs will be raising their monthly fee from \$2,400 per month to \$2,600 per month.

Ms. Scharbach said she would recommend approval of the new engagement letter.

A motion was made by Mr. Cohn and seconded by Mr. Castro to continue engagement of the firm G&A CPAs and Advisors to serve as the accountants for the Authority on the terms set forth in the form of engagement letter presented to the Board, which letter an authorized officer of the Authority is authorized to execute.

The motion passed unanimously by a vote of (7-0).

11. UPDATE, REPORT AND ACTION AS DETERMINED REGARDING RENEWAL OF INSURANCE.

Ms. Scharbach reminded the Board the Authority has obtained insurance policies for professional and general liability through The Arizona Group since July 1, 2018. The current policies are basically the same as 2021 with a slight change in the amount of premium.

Ms. Scharbach said she would recommend renewing the policies as presented.

A motion was made by Mr. Bracamonte and seconded by Ms. James to renew the insurance policies as presented for the year July 1, 2022, to June 30, 2023.

The motion passed unanimously by a vote of (7-0).

12. DISCUSSION AND ACTION AS DETERMINED REGARDING APPOINTMENT OF A PERSON TO INTERVIEW BOARD MEMBERS AS TO WILLINGNESS TO SERVE AS OFFICERS OF THE AUTHORITY FOR THE COMING YEAR TO BE ELECTED AT THE AUGUST 2022 BOARD MEETING.

Ms. Scharbach explained that each year there has typically been a rotation of officers through the Board's roster, and a Board Member is chosen to reach out to the other Board Members regarding their willingness to serve in an officer position. This is

normally done by a Board Member who is not currently an officer or in a position to move into an officer role.

Mr. Westad volunteered to poll the Board Members.

13. BUSINESS DEVELOPMENT OFFICER.

Mr. Ghelfi reported a slowdown in mortgage loans being processed through the Home in Five program. He explained the team is looking at new options to try to renew the program, i.e. a 30-year down payment assistance grant. Another idea is having both the Phoenix IDA and the Authority invest in the down payment assistance program whereby the authorities would create their own bonds and sell them to recoup the funds.

14. PRESIDENT'S REPORT.

Mr. Rounds suggested the Board consider holding a retreat for brainstorming purposes.

15. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach had no report.

16. LEGAL COUNSEL REPORT.

Mr. Fries reported the Choice Academies bond financing closed on June 7, 2022.

17. COMMENTS FROM BOARD MEMBERS.

Mr. Castro asked if the Board would be returning to in-person meetings.

Mr. Rounds asked for Board Members to submit their preference to him as to whether they would like to meet in person and/or the frequency of how often they would like to meet in person.

18. CALL TO THE PUBLIC.

No members of the public commented.

ADJOURNMENT

With no further business to come before the Authority, upon motion made and duly seconded, the Regular Meeting adjourned at 10:55 a.m., without objection.

A handwritten signature in dark ink, appearing to read "P. Fries", is written over a horizontal line.