

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

Date: June 11, 2019, 9:30 a.m.

Place: Maricopa County Administration Building
Board of Supervisors Conference Room
301 West Jefferson, 10th Floor
Phoenix, Arizona

Presiding: Jeremey Stawiecki

Present: Jeremey Stawiecki, Ronald J. Castro, Jr. (telephonically),
Rebecca Burnham (telephonically), Steven Bales, Jr.
(telephonically), Lisa A. James (telephonically), Maria Spelleri
(telephonically) and Ron Westad (telephonically)

Absent: Jim Rounds

Executive Director: Shelby L. Scharbach

Administrators: Janis L. Larson and Kathleen Jakubowicz

Business Development
Officer: Gregg J. Ghelfi

Attorney: William F. Wilder and John J. Fries of Ryley Carlock &
Applewhite

Mr. Stawiecki called the Regular Meeting of the Board of Directors of the Authority 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 9, 2019.

On motion made by Ms. Burnham and seconded by Mr. Westad, the minutes of the April 9, 2019 Regular Meeting were approved as submitted.

The motion passed unanimously by a vote of (5-0).

2. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION GRANTING FINAL APPROVAL FOR THE ISSUANCE AND SALE OF NOT TO EXCEED \$7,300,000 OF THE AUTHORITY'S REVENUE BONDS FOR THE BENEFIT OF NATIVE AMERICAN CONNECTIONS, INC. FOR THE STEPPING STONE PHASE III PROJECT.

The following persons were in attendance in support of the Stepping Stone Project: Joe Keeper, Director of Real Estate Development with Native American Connections, Inc., and Charles Lotzar, Bond Counsel and Borrower's Counsel.

Ms. Spelleri and Mr. Bales joined the meeting at 9:32 a.m.

Mr. Wilder explained that Native American Connections is the sole member of Stepping Stone Place LLC, which, in turn, is the sole member of Stepping Stone Phase III, LP (the "Borrower"). The property in question is located at 1325 North 47th Street, Phoenix, Arizona, and is owned by Native American Connections. The property will be deeded and conveyed to the Borrower. The bonds will be issued as one single bond and purchased by Chase Bank.

Mr. Wilder said he has reviewed the relevant documents and would recommend Board approval.

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

RESOLVED to adopt a Resolution in the form presented to the meeting authorizing and approving the issuance of not to exceed \$7,300,000 of the Authority's Multifamily Housing Revenue Bonds (Stepping Stone Phase III Project), Series 2019.

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

3. DISCUSSION AND ACTION AS DETERMINED REGARDING THE ADOPTION OF A RESOLUTION DECLARING THE AUTHORITY'S INTENT TO ISSUE BONDS FOR THE BENEFIT OF UNITED DAIRYMEN OF ARIZONA.

Mr. Wilder explained that United Dairymen of Arizona would like to finance an expansion of their current plant located at 2008 South Hardy Drive, Tempe, Arizona in order to separate solids from milk, primarily to remove lactose from the milk. The procedure would qualify as a solid waste control financing.

United Dairymen of Arizona have not yet submitted an application for financing, but are requesting approval at this time because under Federal tax law, they would be

able to go back and finance from bond proceeds any expenditures incurred 60 days prior to governmental action being taken toward the issuance of the bonds.

After further discussion and upon motion made by Ms. Spelleri and seconded by Mr. Bales, the following was adopted:

RESOLVED to adopt a Resolution in the form presented to the meeting on the condition that before the Authority takes further action regarding this matter it will receive a formal application and any required application fee will be paid.

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

4. LEGISLATIVE REPORT, DISCUSSION AND ACTION AS DETERMINED.

Courtney LeVinus and Jake Hinman were in attendance to report on current issues.

Ms. LeVinus explained that the Legislature adjourned on May 28, 2019, and there were no bills in this session that directly impacted industrial development authorities; however, HB 2751 had a provision that requires the Arizona Industrial Development Authority to start reporting their activities to the House and Senate leadership, along with the Joint Legislative Budget Committee and the Governor's office.

Ms. LeVinus said the State Legislature committed \$15,000,000 to the Affordable Housing Trust Fund, \$3,500,000 of which is designated to the seriously mentally ill.

Ms. LeVinus reported there may be further conversations on cleaning up the legislation regarding volume cap, multifamily housing, and end of year allocations.

Ms. LeVinus distributed the 2019 End of Session Report.

5. DISCUSSION AND ACTION AS DETERMINED REGARDING THE 2012/2019 HOME IN FIVE ADVANTAGE MORTGAGE ORIGINATION PROGRAM.

Ms. Scharbach reminded the Board the Home in Five Program began in September 2012 originating over 18,000 mortgages totaling approximately \$3.4 billion through March 15, 2019. With the program's considerable slowdown, a decision was made to restructure the program using Lakeview Loan Servicing and George K. Baum. The program is now more competitive in the marketplace and showing an uptick in new mortgages.

Ms. Scharbach introduced Scott Riffle of George K. Baum.

Mr. Riffle thanked the Board for allowing George K. Baum to become the Program Administrator of the restructured program.

Mr. Riffle explained that 81 of the 118 targeted lenders have now registered with Lakeview Loan Servicing to become Participating Lenders in the program, and loan locks have been strong. Fairway Independent Mortgage Company is the top lender in the program currently, with almost 24% of the total loans.

Mr. Riffle said George K. Baum monitors rates on a daily basis to ensure low rates can be achieved. Mr. Riffle said market rates are extraordinarily low at this time, and he expects to see good reservations moving forward.

6. DISCUSSION AND ACTION AS DETERMINED REGARDING REDIRECTION OF REMAINING FUNDS FROM A 2014 GRANT TO THE ASU ENTREPRENEURSHIP AND INNOVATION GROUP TO FUND THE MARICOPA COUNTY MANUFACTURING VENTURE FUND FOR ELIGIBLE ARIZONA STARTUP MANUFACTURING COMPANIES.

Ms. Scharbach introduced Charlie Lewis, V.P. of Venture Development for Arizona Technology Enterprises. Ms. Scharbach referred to the memorandum in the Board packages prepared by Mr. Fries. Ms. Scharbach reminded the Board that the Authority granted \$1,000,000 to the ASU Foundation for the Maricopa County Manufacturing Venture Fund (the “Fund”) in 2014, and there is currently an opportunity to redeploy the remaining grant monies in the Fund.

Mr. Fries said there is more than \$450,000 left in the Fund, and there has been a determination made that those monies can no longer be put to use in the current format; however, those monies can be redeployed for a similar purpose under the existing funding agreement, which provides for a substitute fund that does similar work.

Mr. Lewis explained that when originally structured, the Fund was very narrowly focused on the manufacturing sector, more along the lines of the Authority’s mission of economic development and job creation. This was investing in companies that were actually producing physical, tangible products made in the United States. Today, there have been three investments made in the Fund: Neolight, Bosse Tools and Arizona Ceramic Coating.

Mr. Lewis proposed a re-appropriation of the remaining monies in the Fund to a new fund called the Skysong Innovations Accelerator Fund (“Accelerator Fund”) being launched. The idea behind this is to address the scarcity in Arizona of providing capital for early stage companies. The criteria for the Accelerator Fund would be companies that are at a point that have proof of concept and close to being in the market or already in the market with a competent CEO in place. It follows the criteria that would be expected in an early stage venture fund with an ROI based mission.

Assuming the remaining balance is transferred from the Fund, there would be enough in place for a first closing that would contemplate a \$10,000,000 fund, the first closing being \$5,000,000. 80% has been committed by Tim and Eric Crown, the founders of Insight Enterprises, one of Arizona's fortune 500 companies. The Crown brothers have personally invested over \$100 million themselves into companies flying under the radar, along with providing guidance and mentoring as the companies move forward.

Mr. Lewis pointed out that if the Board was interested in approving the transfer of these monies, the Authority could have a voting seat on the board of the selection committee if they made up the difference between the current balance in the Fund of approximately \$467,000 to \$500,000. The limited partners that have invested at least \$500,000 will actually make the investment decisions requiring a unanimous approval of the board. In addition, with respect to the outstanding notes, Mr. Lewis recommended that any returns that come in from those notes would go to the Authority to make up the difference to get to the \$500,000 and then to increase the Authority's position above the \$500,000, rather than any of those funds being retained back. Mr. Lewis reminded the Board that the Fund was originally contemplated that this would be an evergreen fund, and there are no plans to make investments from the Fund, as it has been very difficult finding companies that fit within the criteria.

In response to a question from Mr. Fries regarding royalties being paid from the Bosse Tools investment, Mr. Lewis said royalty checks are being paid on a quarterly basis, the last check being in the \$2,000 to \$3,000 range, which will continue for the remaining time of note in 2022. Mr. Lewis explained that this is a callable limited partnership commitment, so the actual funds are not required on the front end. The monies sit in reserve, and the Authority's prorata piece would come in at the time of the investment. Mr. Lewis said he estimated it would be five years or more before the additional \$33,000 (to reach the \$500,000) would be required from the Authority.

Ms. Scharbach reminded the Board that their Tallwave investment is a traditional limited partnership investment of \$1,000,000, with no voting rights.

Ms. Scharbach said, in her opinion, this is the only solution for this Fund – to transfer the monies to the Accelerator Fund; otherwise the monies will stay in the Fund and lay dormant. If transferred to the Accelerator Fund, the Authority will eventually see some return, as this would be an investment, whereby the original Fund was a grant.

Mr. Castro asked if other alternatives have been considered. Ms. Scharbach said the Authority does not have any other alternatives as these monies were granted to ASU Foundation as an evergreen status, and the Authority does not have the ability to request the monies be returned.

Ms. Castro said the Authority already paid a 5% management fee on the \$1,000,000 grant. In the current agreement for the Accelerator Fund there is also a 1.5% annual fee, so he thought the Authority was being charged twice for a management fee.

Mr. Lewis said most management fees are in the 2% to 3% range.

Ms. Scharbach said the 5% management fee in the original Fund may not all have been spent yet, and that it something that is being researched. Ms. Scharbach said if it all has not been spent, she thought the Authority would receive a credit.

Ms. Lewis said the Authority would also receive any interest accumulation during the last five years.

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

RESOLVED to adopt a Resolution in the form presented to the meeting Authorizing the Executive Director of the Authority, Shelby Scharbach, to negotiate with the ASU Foundation and the ASU Beneficiary to redirect the uncommitted funds under the Non-Endowed Investor Gift Agreement to SkySong Innovations Early-Stage Acceleration Fund, LLC, or such other alternative investment that honors the Authority's original intent to spur economic development in Arizona to support startup manufacturing companies.

Mr. Castro made an amendment to the motion to allow Ms. Scharbach to negotiate with ASU Foundation on the SkySong Innovations Early-Stage Acceleration Fund only if the management fee was eliminated going forward under Section 3.12 of the Limited Liability Company Agreement. The motion was seconded by Mr. Bales.

Messrs. Castro and Bales voted aye. Messrs. Stawiecki and Westad and Mmes. Spelleri, Burnham and James voted nay.

The motion failed by a vote of (2-5).

A vote was then taken on the original motion. Messrs. Stawiecki, Bales and Westad and Mmes. Spelleri, Burnham and James voted aye. Mr. Castro voted nay.

The original motion passed by a vote of (6-1).

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

Mr. Wilder explained that the Authority has four separate policies: Public Officials Liability Policy, Commercial General Liability Policy, Commercial Umbrella Policy, and Commercial Volunteer Accident Policy. The total premium being offered

through The Arizona Group is \$24,705,000, an increase of \$943.49 over the past year, attributable to the premium charged for the Public Officials Liability Policy.

Mr. Wilder said he would recommend renewing the policies at the proposed rate or allow Ms. Scharbach the responsibility to renew the Authority's insurance in a manner she determines appropriate.

Mr. Westad reported that his employer, Arizona Federal Credit Union, owns The Arizona Group, and although he did not believe he had a conflict, he would abstain from voting on this matter.

After further discussion and upon motion made by Ms. Spelleri and seconded by Mr. Bales, the following was adopted:

RESOLVED to approve the renewal of the Authority's insurance coverage, with the proposed increased limits.

The motion passed unanimously by a vote of (6-0), with Mr. Westad abstaining from voting.

8. DISCUSSION AND ACTION AS DETERMINED REGARDING CONTRACTING WITH JACOBSEN & WACHTERHAUSER TO PROVIDE ACCOUNTING SERVICES.

Ms. Scharbach referred the Board Members to Ms. Wachterhauser's proposed engagement letter, and pointed out there are no changes from the prior year. Ms. Scharbach recommended the continued engagement of Jacobsen & Wachterhauser.

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

RESOLVED to continue the engagement of the firm Jacobsen & Wachterhauser 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).

9. 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 2019 BOARD MEETING.

Mr. Wilder reminded the Board that new officers are elected each August, and it is helpful to have a Board Member interview each Board Member to determine their willingness to serve in the capacity of an officer.

Ms. Burnham volunteered to interview Board Members.

10. FINANCIAL REPORT.

Ms. Scharbach referred to the unaudited financial statements for the periods ended April 30, 2019 and May 31, 2019. Copies of the unaudited financial statements are attached hereto.

Ms. Scharbach reviewed the May 31, 2019 unaudited financial statements.

11. PAYMENT OF INVOICES.

Ms. Scharbach referred to the invoices previously distributed to the Board Members for the months ended April 30, 2019 and May 31, 2019, and said there were no invoices out of the ordinary.

Ms. Spelleri moved to approve the payment of invoices as submitted for the periods ended April 30, 2019 and May 31, 2019. Mr. Bales seconded the motion.

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

12. BUSINESS DEVELOPMENT OFFICER.

Mr. Ghelfi reported the Banner Health project would be closing soon, and there are a few new applications being submitted. Mr. Ghelfi reported that in May, there were more loans in the Home in Five Program than in all of 2018.

13. PRESIDENT'S REPORT.

Mr. Stawiecki had no report.

14. EXECUTIVE DIRECTOR'S REPORT.

Ms. Scharbach had no report.

15. LEGAL COUNSEL REPORT.

Mr. Wilder reiterated there are a few new applications that will be coming to the Authority in the July/August timeframe.

16. COMMENTS FROM BOARD MEMBERS.

There were no comments from the Board Members.

17. 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 was adjourned at 10:46 a.m., without objection.

A handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to be "Amy Zula".