



November 16, 2022

NOTICE OF EVENTS OF DEFAULT

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY

\$212,960,000	\$6,810,000	\$31,000,000	\$32,425,000	\$575,000
ARIZONA	ARIZONA	ARIZONA	ARIZONA	ARIZONA
INDUSTRIAL	INDUSTRIAL	INDUSTRIAL	INDUSTRIAL	INDUSTRIAL
DEVELOPMENT	DEVELOPMENT	DEVELOPMENT	DEVELOPMENT	DEVELOPMENT
AUTHORITY	AUTHORITY	AUTHORITY	AUTHORITY	AUTHORITY
Economic	Economic	Economic	Economic	Economic
Development	Development	Development	Development	Development
Revenue Bonds,	Revenue Bonds,	Revenue Bonds,	Revenue Bonds,	Revenue Bonds,
Tax-Exempt	Taxable	Tax-Exempt	Tax-Exempt	Taxable Series
Series 2020A	Series 2020B	Turbo Redemption	Series 2021A	2021B
(Legacy Cares,	(Legacy Cares,	Series 2020C	(Legacy Cares,	(Legacy Cares,
Inc. Project)	Inc. Project)	(Legacy Cares,	Inc. Project)	Inc. Project)
		Inc. Project)		

<u>Series</u>	<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>CUSIP*</u>
Series 2020A	2024	\$ 8,450,000	6.250%	040523 AA0
Series 2020A	2025	8,980,000	6.375%	040523 AB8
Series 2020A	2026	9,550,000	6.500%	040523 AC6
Series 2020A	2027	10,175,000	6.625%	040523 AD4
Series 2020A	2028	10,845,000	6.750%	040523 AE2
Series 2020A	2050	164,960,000	7.750%	040523 AF9
Series 2020B	2030	6,810,000	9.000%	040523 AG7
Series 2020C	2030	31,000,000	6.750%	040523 AH5
Series 2021A	2031	2,760,000	5.500%	040523 AK8
Series 2021A	2051	29,665,000	6.000%	040523 AL6
Series 2021B	2030	575,000	8.000%	040523 AM4

THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE ABOVE REFERENCED BONDS. IF YOU RECEIVE THIS NOTICE AND ARE ACTING FOR A BENEFICIAL OWNER OF THE BONDS, PLEASE SEND THIS NOTICE TO THE BENEFICIAL OWNER(S) IMMEDIATELY.

The Arizona Industrial Development Authority (the “Issuer”) previously issued the (i) Economic Development Revenue Bonds, Tax-Exempt Series 2020A (Legacy Cares, Inc. Project) (the “Series 2020A Bonds”), (ii) Economic Development Revenue Bonds, Taxable Series 2020B (Legacy Cares, Inc. Project) (the “Series 2020B Bonds,”) and (iii) Economic Development Revenue Bonds, Tax-Exempt Turbo Redemption Series 2020C (Legacy Cares, Inc. Project) (the “Series 2020C Bonds” together with the Series 2020A Bonds and the Series 2020B Bonds, the “2020 Bonds”) pursuant to a Trust Indenture dated as of August 1, 2020 (the “2020 Indenture”).

* The CUSIP numbers are inserted for the convenience of the Holders only. No representation is made as to the correctness or accuracy of the foregoing CUSIP numbers or the CUSIP numbers printed on the Bonds.

The Bonds are special limited obligations of the Issuer, payable solely from and secured by a pledge of loan repayments under notes issued pursuant to the terms of a Loan Agreement, dated as of August 1, 2020 (the “2020 Loan Agreement”), by and between the Issuer and Legacy Cares, Inc. (the “Borrower”), and from other amounts derived from the Trust Estate, as defined herein.

The Issuer also issued the (i) Economic Development Revenue Bonds, Tax-Exempt Series 2021A (Legacy Cares, Inc. Project) (the “Series 2021A Bonds”), and (ii) Economic Development Revenue Bonds, Taxable Series 2021B (Legacy Cares, Inc. Project) (the “Series 2021B Bonds,” and together with the Tax-Exempt Series 2021A Bonds, the “2021 Bonds”) pursuant to and secured by the First Supplemental Indenture of Trust, dated as of June 1, 2021 (the “First Supplemental Indenture,” and together with the Original Indenture, the “Indenture”).

The 2021 Bonds are special limited obligations of the Issuer, payable solely from and secured by a pledge of loan repayments under notes issued under the terms of the First Amended Loan Agreement, dated as of June 1, 2021 (the “First Amendment to Loan Agreement,” and together with the Original Loan Agreement, the “Loan Agreement”), by and between the Issuer and the Borrower, and from other amounts derived from the Trust Estate.

The Borrower applied the proceeds of the sale of the 2020 Bonds to finance a portion of the cost of acquiring, constructing, renovating, improving, equipping and operating a multi-sports park facility in Mesa, Arizona (the “Facilities”), funding required reserves under the Indenture, paying capitalized interest, operating costs and working capital costs and paying costs of issuance of the 2020 Bonds (the “2020 Project”).

The Borrower applied the proceeds of the sale of the 2021 Bonds in order to finance or refinance a portion of the cost of installing synthetic turf, adding to Buildings A and B at the Facilities, expanding on-site roadways and parking, and increasing lighting, funding any required reserve fund, paying capitalized interest, operating costs and providing working capital related to the 2021 Bonds and paying costs of issuance (collectively, the “2021 Project,” and together with the 2020 Project, the “Project”).

The Bonds are payable solely from the Trust Estate, which consists of: (i) the rights, title and interests of the Issuer under the Loan Agreement, except the Issuer's Unassigned Rights; (ii) the rights, title and interests of the Issuer in Legacy Sports Park (the “Facilities”), subject to Permitted Encumbrances, except the Issuer’s Unassigned Rights; (iii) the Revenues and all rights, title and interests of the Issuer in the Pledged Revenues, subject to Permitted Encumbrances, except the Issuer’s Unassigned Rights; (iv) the rights, title and interests of the Issuer and the Borrower under the Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing (Series 2020) dated as of August 1, 2020 (the “Original Leasehold Deed of Trust”), between the Borrower, as trustor, and the Trustee, as beneficiary, subject to Permitted Encumbrances, and the Promissory Bonds, as amended and restated by the First Amended Leasehold Deed of Trust, Security Agreement, Assignment of Rents and Leases, and Fixture Filing dated as of June 1, 2021 (the “Amended Leasehold Deed of Trust,” and together with the Original Leasehold Deed of Trust, the “Leasehold Deed of Trust”), from the Borrower in favor of the Trustee by adding as obligations secured by the Amended Leasehold Deed of Trust, the 2021 Bonds, and correcting the legal description, including carving out certain property from the legal description for nonqualified uses under the Internal Revenue Code of 1986, as amended, (the “Code”); (v) all Funds created in the Indenture (other than the Cost of Issuance Fund, the Tax and Insurance Escrow Fund and the Rebate Fund); (vi) the Collateral Assignment of Contracts, Permits, Licenses and Plans, dated as of August 1, 2020 (the “Original Project Document Collateral Assignment”), between the Borrower and the Trustee, as amended by the First Amendment to Collateral Assignment of Contracts, Permits, Licenses and Plans, dated as of June 1, 2021

(the “Amended Document Collateral Assignment,” and together with the Original Project Document Collateral Assignment, the “Project Document Collateral Assignment”) (vii) the Deposit Account Control Agreement, dated April 14, 2021 (the “Replacement Deposit Account Control Agreement”), among UMB, Bank, N.A., as depository bank, Legacy Sports USA, LLC (the “Legacy Sports”), an Arizona limited liability company (as the depository bank customer), and the Trustee, and (viii) any and all other interests in real or personal property of every name and nature from time to time specifically mortgaged or pledged, as and for additional security by the Issuer under the Indenture.

All capitalized terms used but not otherwise defined herein, shall have the same meanings as assigned to them in the Indenture.

Events of Default[†]

Failure to Make Loan Payments. Section 5.01(a) of the Loan Agreement, requires, in pertinent part, that during the term of the Loan Agreement, the Borrower shall pay, as repayment of the Loan, into the Revenue Fund on each Payment Date[‡]. The Borrower failed to make all or some portion of the Loan Payments on August 1, 2022, September 1, 2022, and October 3, 2022. The Trustee, in a Notice of Defaults dated October 4, 2022, provided formal notice to the Borrower and the Issuer that the Borrower had failed to pay these Loan Payments. The Borrower subsequently failed to cure these payment defaults within the applicable cure period of three Business Days following written notice by the Trustee. As a direct consequence, Events of Default under the Loan Agreement, the Indenture and the Leasehold Deed of Trust have occurred and continue to exist. *See Section 10.01(a) of the Loan Agreement; See Section 8.01(d) of the Indenture; See Section 5.01(a) of the Leasehold Deed of Trust.*

Mechanics’ Liens. Section 1.19 of the Leasehold Deed of Trust requires that the Borrower pay and discharge, at the expense of the Borrower, all liens, encumbrances and charges upon the Facilities and other assets pledged under the Leasehold Deed of Trust (the “Mortgaged Estate”), with the exception of certain customary Permitted Encumbrances. The Trustee has actual notice that the Borrower is alleged to have failed to pay for certain labor, materials and services provided by contractors, subcontractors, and material suppliers (the “Mechanic’s Lien Claimants”) in connection with the acquisition, construction, and equipping of the Facilities. Certain of the Mechanic’s Lien Claimants recorded liens and lis pendens against the Mortgaged Estate (the “Mechanic’s Liens”) and initiated legal proceedings to enforce their claims, all as permitted by Arizona statute. The Trustee engaged Spencer Fane LLP to represent the interests of the Trustee and the Registered Owners in connection with the Mechanics’ Liens.

The Trustee, in a Notice of Defaults, dated October 4, 2022, provided formal notice to the Borrower and the Issuer that the Borrower had failed to pay or otherwise remedy the Mechanics Liens. The Borrower is required to cause the Mechanic’s Liens to be removed from the Facilities within a cure period of forty-five (45) days from the date of written notice (November 18, 2022).

Remedies for Events of Default

Upon the occurrence of an Event of Default, the Trustee has, among other rights at law or in equity, the following rights and remedies:

[†] The Defaults identified herein are not intended to constitute, nor shall it constitute, a conclusive, exhaustive or comprehensive list of all Defaults which have occurred or may be continuing under the Borrower Documents.

[‡] “Payment Date” means the monthly date on which the Borrower is scheduled to remit payments to the Trustee.

Acceleration. The Trustee (i) may by notice in writing given to the Issuer and the Borrower or (ii) shall, upon the written request of the Beneficial Owners of not less than a majority of the Bonds then Outstanding, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable.

Receivership. The Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers, with respect to the Borrower, of the rents, revenues, income, products and profits related to the Borrower and the Facilities.

Foreclosure. The Trustee shall have the right of foreclosure on all or any portion of any Facilities or any interest of the Issuer or Borrower therein with the power of sale under the Leasehold Deed of Trust and may realize upon the security interest in the Pledged Revenues and exercise all of the rights and remedies of a secured party under the Uniform Commercial Code of the State with respect thereto. Notwithstanding the foregoing, the Trustee's powers as set forth with respect to foreclosure may be impacted in the event of an exercise of the first right of purchase set forth in the Ground Lease between Pacific Proving, LLC and Borrower, dated May 20, 2020, as amended by that certain Amendment No. 1 to Ground Lease, dated July 27, 2020, and a successful purchase of all of the Bonds then Outstanding by the landlord under such ground lease.

Suit for Judgment on the Bonds. The Trustee shall be entitled to sue for and recover judgment for the enforcement of any of its rights, or the rights of the Registered Owners, but any such judgment against the Issuer shall be enforceable only against the Trust Estate.

The foregoing rights and remedies are cumulative and in addition to any other right or remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Directing Holders Group

The Registered Owners of a majority in aggregate principal amount of the Bonds Outstanding have the right to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture. On November 2, 2022, a group of Registered Owners holding in excess of a majority in aggregate principal amount of the Outstanding Bonds agreed to provide the Trustee strategic direction in connection with the proceedings to be taken in pursuing rights and remedies under the Indenture in response to the Events of Default and certain anticipated defaults.

Preliminary Discussions Regarding a Proposed Refunding

Representatives of the Borrower and the Manager have advised the Trustee and the Directing Holders Group that Loop Capital, an investing banking firm (the "Investment Bank"), has been engaged by the Borrower to pursue the prospect of a refunding of the Bonds. The Borrower and the Manager referred the Investment Bank to certain members of the Directing Holders Group. The Investment Bank has had several preliminary discussions with members of the Directing Holders Group about their level of interest in participating in a future refunding of the Bonds.

As part of these discussions, the Investment Bank has indicated that a potential future refinancing could be executed on a tax exempt basis through the Issuer. The Investment Bank has not provided the Borrower, the Manager, the Trustee or the Directing Holders Group with a term sheet with respect to the proposed refunding. The Investment Bank is, however, working through Bond Counsel to develop a tentative financing schedule.

Proposed Forbearance Agreement

The Directing Holders Group has instructed the Trustee to commence negotiations for a definitive forbearance and accommodation agreement with the Borrower, the Manager, and such other parties as appropriate or necessary (the “Forbearance Agreement”). The primary purposes of the Forbearance Agreement are: (1) to provide the Directing Holders Group an opportunity to engage financial consultants and other professionals to assess the current operating procedures of the Borrower and the Manager and make recommendations to improve the Project’s financial performance; (2) to enhance the security for the obligations of the Borrower under the Borrower Documents; and (3) provide the Borrower, the Manager, the Investment Banker and others an opportunity to pursue refinancing and restructuring options with the goal of maximizing the recovery of the Registered Owners.

The Forbearance Agreement, if consummated by the parties, is reasonably expected to contain, among other provisions, terms and conditions to the following effect:

1. A specific period (the “Forbearance Period”), during which, subject to the occurrence of a Termination Event (as defined below), the Trustee will forbear from exercising certain rights or remedies available to the Trustee upon the Events of Default specified in the Forbearance Agreement (the “Specified Defaults”). The Forbearance Period is expected to extend until February 15, 2023[§], subject to the occurrence of an earlier Termination Event.
2. The Forbearance Agreement is expected to provide a set of events or conditions which will cause the Forbearance Agreement to terminate automatically or upon the direction of the Directing Holders Group (the “Termination Events”).
3. The Forbearance Agreement will not limit, restrict or waive the Trustee’s right to (i) send any notices or communications with respect to the Indenture or the Bonds, (ii) enforce the terms of the Forbearance Agreement, (iii) take action or exercise remedies to create or perfect liens and security interests or to evidence, protect and preserve rights under the Issuer Documents or Borrower Documents, and (iv) take any action to preserve the rights of the Trustee and the Registered Holders.
4. The Forbearance Agreement is expected to provide a set of conditions precedent required to induce forbearance by the Trustee, including the submission by the Borrower of a reasonably detailed plan for the remediation of the Specified Events of Default (the “Conditions Precedent”). The Conditions Precedent are expected to include modifications to the Issuer Documents and the Borrower Documents relating to, among other matters, enhanced reporting by the Borrower and the Manager.
5. The Forbearance Agreement is expected to acknowledge and affirm the tolling of any statute of limitations period by the Borrower and the Manager with respect to the Specified Defaults and any remedies available to the Trustee or the Registered Owners.

The Directing Holders Group has not committed to any particular terms to be included in the Forbearance Agreement or to what final terms and conditions will be acceptable to the Directing Holders Group, the Trustee or any other party necessary to execute and consummate a Forbearance Agreement.

[§] The expiration for the Forbearance Agreement is preliminary and subject to change.

Holders should not rely solely on the Trustee as their sole source of information. The Trustee makes no recommendations and gives no investment, tax, or legal advice herein or as to the Bonds generally. The Trustee may conclude that a specific response to particular inquiries from individual Holders is not consistent with equal and full dissemination of significant information to all Holders.

This Notice does not constitute a waiver of any rights or remedies of the Trustee or the Holders of the Bonds with respect to any terms or provisions of the Indenture or the other Transaction Documents. The Trustee expressly reserves any and all rights and remedies which it or the Holders of the Bonds may now or hereafter be entitled to exercise in connection with the Bonds or the Transaction Documents.

UMB BANK, N.A.,
as Trustee