THE BOND BUYER

Judge approves sale of bankrupt, bond-financed Arizona sports venue

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A federal judge signed off on the sale of an Arizona participant sports venue for a price that will result in a miniscule cash payment to owners of the bankrupt facility's defaulted bonds.

U.S. Bankruptcy Court Judge Daniel Collins last week approved the deal agreed to by the bond trustee and other parties for $25.7 million in cash mainly provided by the purchaser, AZ Athletic Associates. Only $2.4 million is allocated for owners of $284 million of mostly tax-exempt, unrated revenue bonds issued in 2020 and 2021 through the Arizona Industrial Development Authority for nonprofit Legacy Cares, which filed a Chapter 11 bankruptcy in May.

A college soccer match at Legacy Park in Mesa, Arizona. A bankruptcy court judge approved the sale of the bankrupt, bond-financed venue that gives bondholders a miniscule cash recovery. *Park University Gilbert*

The bulk of the money — $19.14 million — will flow to unpaid contractors with mechanics liens against the 320-acre Legacy Park in Mesa. Bondholders will receive an 11% equity stake in the purchaser.

The deal, which is expected to close no later than Dec. 8, emerged after no qualified bids were received for the park in September.

AZ Athletic Associates, which was created by Burke Operating Partners, is contributing $19.725 million, while just over $6 million is coming from Pacific Proving, which owns the land leased to Legacy Park.

Ahead of court approval of the sale, bond trustee UMB Bank and the U.S. trustee monitoring the bankruptcy case questioned whether any Legacy Cares individuals were involved with the purchaser.

Michael Burke, AZ Athletic Associates' president, filed a declaration with the court that the company is not affiliated with Legacy Cares' "current or former insiders."

In August, the judge acknowledged disputed allegations of mismanagement and infractions on the part of Legacy Cares officials, stating "the court smells smoke" and expects bondholders and others to pursue remedies.

A lawsuit was filed in Maricopa County Court earlier this month by a bondholder against parties involved with the park, as well as against Ziegler and Gust Rosenfeld, the debt's underwriter and bond counsel.

The complaint claims the defendants failed to disclose and misrepresented the project's material revenue and cost information.

"These misrepresentations and omissions misled investors regarding the risks associated with the project, the bonds as investments, and the project's ability to generate sufficient revenue to service the debt," the lawsuit stated.

It seeks all payments on the bonds as well as more than $1 million in damages.

A Ziegler spokesperson did not immediately respond to a request for comment. Charles Wirken, Gust Rosenfeld's general counsel, said the law firm had a limited role in the bond sale.

"Our role in this bond issuance was limited to issuing an opinion letter regarding the tax-exempt status of the bonds, and contrary to the allegations in the complaint, the firm did not author the initial offering memorandum," he said, adding the offering document included multiple warnings and disclaimers to bond purchasers.

The limited offering memorandum for the 2020 bonds included an extensive section on risk factors along with warnings that potential investors are solely responsible for evaluating the bonds' merits and risks and must be able to afford the complete loss of the investment.

Legacy Park opened in January 2022 and hosts youth and amateur competitions in sports including soccer, basketball, volleyball, and pickleball.