Meeting Minutes

ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING

Location: In-Person Meeting at Industrious
3110 N. Central Avenue, Suite D-160, Phoenix, Arizona 85012

Date and Time: Thursday, September 18, 2025
3:00 p.m.

Board Members Present (Appearing in Person):
Ken Burns
Robin Romano

Board Members Present (Appearing via Zoom/Telephonically):
Andre Whittington

Board Members Absent:
David Castillo (with prior notice)
Marcel Dabdoub (with prior notice)

Staff Present (Appearing in Person):
Dirk Swift, Executive Director
Dan Dialessi, Chief Financial Officer
Carson Folk, Conduit Bond Business Development Officer
Pat Ray, Conduit Bond Program Manager

Staff Present (Appearing via Zoom/Telephonically):
Deaun Hampton, Operations and Administrative Coordinator
Dongyan Jones, Accountant
Kelly McGuire, Kutak Rock LLP, Legal Counsel

Meeting Facilitator (Appearing in Person):
Sierra Belisle, Kutak Rock LLP

Presenters (Appearing in Person):
Gerald Minott, Housing Authority of Maricopa County
Les Borsai, Wave Digital Assets LLC
Heidi Pease, Wave Digital Assets LLC
Nicole Trudeau, Wave Digital Assets LLC
Tyler Cobb, Taft Stettinius & Hollister LLP

Presenters (Appearing via Zoom/Telephonically):
Timothy Gillespie, The Reinvestment Fund, Inc.
Robert Phillips, Smith Brighton Inc.
Conal Hession, Kutak Rock LLP

Actions:

1. **Call to Order:**

The meeting was called to order by Robin Romano, President of the Board of the Arizona Industrial Development Authority ("AZIDA"), at 3:00 p.m. Board members Ken Burns, and Robin Romano attended in person. Board member Andre Whittington attended via Zoom. Roll was called by Sierra Belisle, as meeting facilitator. Board members David Castillo and Marcel Dabdoub were noted as absent, each having previously informed Ms. Romano that they would be unable to attend. A quorum was declared present. Ms. Romano asked the Board members if they need to declare any conflicts related to the items on the agenda. No Board member declared a conflict.

2. **Agenda Items Considered:**

Presentation, Discussion & Adoption
Approval of Resolution No. 2025-34 – Authorizing preliminary approval of not-to-exceed $34,000,000 of multifamily housing revenue bonds, notes or other obligations to be issued to finance a qualified residential rental project in Avondale, Arizona, for the benefit of a yet-to-be-formed tax credit limited liability company or partnership by the Housing Authority of Maricopa County.

Gerald Minott, the executive director of the Housing Authority of Maricopa County ("HAMC"), addressed the Board. He introduced Josh Crites and Matt Chantry, with Brawner, who are serving as consultants to HAMC on the project. Mr. Minott explained that the Rose Terrace Apartments project will include the redevelopment of an existing housing community located in Avondale, Arizona. Rose Terrace Apartments is currently comprised of 120 units and serves both individuals and families. Sources of funding for the project will include tax credits, equity, tax-exempt debt, as well as cash flow from operations. Mr. Minott shared that HAMC is both the owner and the developer. HAMC has developed or rehabilitated approximately 800 units, and the project will also be part of HAMC's inventory. He noted that current residents will be temporarily relocated on-site during phased construction and rehabilitation, and all costs associated with the relocation will be covered by the project, not the residents. Mr. Minott noted the project scope will include new roofing, windows, doors, paint, carport/patio reinforcement, ADA accessibility, security upgrades, landscaping, dark sky/energy-efficient lighting, modernized leasing office, refreshed community room, upgraded laundry, splash pad and new playgrounds. He noted the project has a healthy population of kids and HAMC wants to provide modern upgrades to their spaces. Mr. Minott added that interior upgrades will include new kitchens, baths, flooring, plumbing and fixtures and in-unit laundry. The existing project does not have a laundry space, and residents must go offsite. Mr. Minott explained funding sources will include a term loan, equity contribution, seller's note, cash flow during construction, and deferred developer fee, to be used for land and building acquisition, construction, capitalized interest, costs of issuance, and some soft costs. He noted the project expects to use bond proceeds of up to $34 million, with $21.5 million paid off at permanent loan conversion and $12.5 million remaining as the permanent loan.

Ms. Romano asked about the age of the existing project.

Mr. Minott responded the project was built in 2001, so it has been in the community for the last 24 years.

Ms. Romano thanked Mr. Minott and said she is tickled pink about this tremendous project in Avondale.

Mr. Whittington echoed Ms. Romano's sentiments and said he loves when AZIDA does redevelopment of existing projects.

Ms. Romano agreed.

Board member **Andre Whittington** then motioned to approve Resolution No. 2025-34, as presented. Board member **Ken Burns** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

Presentation, Discussion & Adoption
Approval of Resolution No. 2025-35 – Authorizing final approval of the issuance of not-to-exceed $80,000,000 Revenue Bonds (The Reinvestment Fund, Inc. Project), for the benefit of The Reinvestment Fund, Inc.

Tim Gillespie, the treasurer at The Reinvestment Fund, Inc. ("RF"), addressed the Board. He explained RF is a community development financial institution ("CDFI") based in Philadelphia and has been in business since the mid-1980s.

Ms. Romano noted there are three AZIDA board members who are also CDFI board members.

Mr. Gillespie said that he had been informed that there were CDFI representatives on AZIDA's Board, but for the benefit of all, he explained that RF operates as a non-profit bank with a mission and a charter to make loans and investments for the common good to benefit the communities that RF serves. The status as a CDFI avails RF of some federal tax programs, and RF's plan of finance is to work with Bank of America, as underwriter, to bring bonds to market to refinance approximately $16 million of the bonds RF issued in 2017, as well as pay down approximately $20 million of RF's variable rate debt. Mr. Gillespie added RF plans to finance eligible projects in accordance with the terms and conditions set forth in the loan agreement and other related documents to this financing to benefit communities RF serves, so that will be about $38 million worth of new projects going forward. He then explained RF works mainly in the eastern half of the United

States. RF's footprint stretches generally from New York City down through Atlanta and Florida and west with the majority of RF's projects being done east of the Mississippi. RF has offices in Philadelphia and Atlanta and staff across the country.

Mr. Gillespie said that RF does not have any projects in the pipeline slated to close in the state of Arizona within the next six months. RF finances a lot of housing development and projects extremely similar to the affordable multifamily housing projects previously presented to the Board. RF also invests in education by partnering with universities, particularly those universities that serve underprivileged or historically disadvantaged communities and helps them invest in their campuses by building student housing or investing in deferred maintenance. Mr. Gillespie noted that RF also finances many healthcare and food access projects.

Mr. Gillespie added RF is looking for approval to launch this financing plan in partnership with Bank of America and AZIDA and to take the next step in what is a fantastic opportunity for RF to target a different set of investors and access the market in this fashion.

Ms. Romano thanked Mr. Gillespie and noted the project is outside of Arizona but meets the guidelines of AZIDA Policy 3.1, which is good, and the project sounds straightforward.

Mr. Burns added the project sounds straightforward to him too.

Mr. Whittington also agreed.

Ms. Romano then noted that, in looking at the balance sheet, there is a big increase in the loan loss reserve for one year from 2023 to 2024 and asked Mr. Gillespie if there was a particular reason for that.

Mr. Gillespie responded that was generally because of uncertainty in the economic environment and RF knowing where things were headed. There was not a dramatic increase in charge-offs or losses, it was simply related to economic uncertainty.

Ms. Romano asked if RF adopted the current expected credit loss model ("CECL") at that time.

Mr. Gillespie said that RF adopted CECL prior to the change Ms. Romano was alluding to. The immediate impact of RF's adoption of CECL was to lower actual reserves, and he believed there were other financial institutions that saw similar results.

Ms. Romano said there were no other questions and there was a great explanation of the Policy 3.1 considerations in the supplemental information summary included in the Board packet.

Board member **Ken Burns** then motioned to approve Resolution No. 2025-35, as presented. Board member **Andre Whittington** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

<u>Presentation, Discussion & Adoption</u>
Approval of Resolution No. 2025-36 – Authorizing preliminary approval of not-to-exceed $27,000,000 of economic development obligations to be issued to finance certain road improvements related to a commercial enterprise in Meridian, Idaho, for the benefit of Smith Brighton Inc.

Robert Phillips, president of Smith Brighton Inc. ("SBI") addressed the Board. He introduced John Wardle, president of Brighton Development/Brighton Homes, and Zach Meyers, director of Land Development. Mr. Phillips thanked the Board for their consideration of SBI's application. He explained the Smith Companies and Brighton Development have been developing projects together for over 20 years. The Smith Companies have 35 years of development experience, and Brighton has over 50 years of development experience. SBI has built residential and commercial projects in about 12 states, including shopping centers, and large master plan communities. SBI's offices are located in Meridian, Idaho, the city in which SBI will build the project road improvements. SBI currently owns about 500 acres to the east of the project that SBI plans to develop. SBI's philosophy is to take a big picture view of development and related challenges. SBI engages with local government agencies to find solutions. One of the challenges SBI faces is keeping pace with the demand for infrastructure in a high growth area – it seems the infrastructure is always behind. Mr. Phillips explained SBI is getting ahead of that issue for this project by working with local agencies to build roads on the north side of the project, and about a mile and a half to the east, in conjunction with the Ada County Highway District, one of SBI's partners. SBI will obtain reimbursement from Idaho's sales tax anticipation revenue ("STAR") program, which promotes development of public roads and improvements, and allows the timing of infrastructure to match the timing of commercial development. The STAR tax rebates are the source of repayment for the bonds. Mr. Phillips explained SBI has come to AZIDA in this instance for a couple of reasons. Number one is that there is no Idaho issuer with the ability to issue these types of bonds, and second, is because AZIDA has experience with this type of transaction, notably a great project in North Meridian called Linder Village which AZIDA approved a few years ago. Mr. Phillips added SBI differentiates from Linder Village in three ways. First, SBI has a lot more experience in development and building roads with local agencies. Second, SBI is going to take on the risk of guaranteeing the completion of the roads with their lenders and the local agencies. Third, the bonds are not going to be publicly sold but will be privately placed with Zions Bank. Zions Bank will be both the trustee and the purchaser of all the bonds.

Mr. Phillips then explained that Highway 69 connects South Meridian to a city called Kuna, and SBI plans to build some improvements on Highway 69 along with some interconnecting collector roads. He noted the infrastructure will allow the community to increase access to supply, which will help with costs and housing affordability. In fact, SBI is developing housing to the east of the project, and the new infrastructure will provide access to that housing. Mr. Phillips added that SBI is also considering a charter school for at-risk kids, for which they will donate the land. It will be located about a quarter of a mile off Highway 69 and the new project infrastructure will also provide access to that charter school. Putting these roads in place will help with both education and affordability, in addition to trade and commerce. Mr. Phillips pointed the Board members to the strong letter of support from the Mayor of Meridian, which had been submitted with the bond application. The letter highlights SBI's experience and the City of Meridian's support for the particular project. He then offered to answer any questions the Board may have.

Mr. Whittington asked what percentage of the sales tax will be provided to repay the bond.

Mr. Phillips responded that the state of Idaho keeps 40% of the sales tax and 60% is then used for repayment until the bonds are fully repaid.

Mr. Burns noted that while Idaho may want to change its legislation to get these type of bond issuances done, he sure would like the STAR program to come to Arizona to fund some infrastructure. Mr. Burns noted that it's a very creative approach and sounds like a great project for the community.

Mr. Phillips said it sounds like a good idea to do a trade of some sort by sending the issuer to Idaho and the STAR program to Arizona.

Ms. Romano agreed with Mr. Burns that it is a creative solution. She noted she has driven Idaho roads, and they are better than Arizona roads. Ms. Romano said she didn't have any questions and hoped the Board members were able to read the details of the Policy 3.1 guidelines in the supplemental information summary. She noted that there is an indirect impact on the state of Arizona not included in the summary, as she is pretty sure Arizona exchanges goods and services with Idaho so it's a net positive. Ms. Romano thanked Mr. Phillips for the very thorough explanation and said the Board looks forward to seeing SBI for final approval.

Board member **Andre Whittington** then motioned to approve Resolution No. 2025-36, as presented. Board member **Ken Burns** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

3. **Presentation and Discussion; No Board Action – Cryptocurrency Securitization**

Representatives from Wave Digital Assets LLC ("Wave"), Les Borsai (Co-Founder and Chief Strategy Officer), Heidi Pease (Senior Vice President and Head of Special Operations), Nicole Trudeau (General Counsel), and Tyler Cobb, an attorney with Taft Stettinius & Hollister LLC, counsel to Wave and bond counsel, presented information related to a proposed strategy to provide financing of digital assets to fund economic growth activities in Arizona through a debt offering secured by cryptocurrency. Mr. Borsai began by explaining that there are always different levels of education and familiarity with cryptocurrency in the room – some people will really understand the slide deck, but others might not understand what Bitcoin is. For that reason, he would provide a history of Wave, and then talk about the product itself.

Mr. Borsai explained that he got into digital currency in 2013 when he became an advisor for a company called Ripple. Ripple is one of the big cap tokens (digital assets) now and has been spoken about by the White House. Wave was formed in 2018 and was one of the first registered investment advisors. He introduced Ms. Pease, who lives in Arizona and was part of the legislation with (former) Representative Linder from Pennsylvania, Mr. Cobb, who he believed the Board was familiar with, and Ms. Trudeau, who was formerly with Robinhood. Mr. Borsai noted that Wave was a registered investment advisor on day one of its inception, doing their best to follow a regulatory process that did not exist. Wave was initially a registered investment advisor with the state of California and then with the Securities Exchange Commission ("SEC"). By 2020, Wave was managing billions of dollars in cryptocurrency, and then something called FTX happened in the market. He noted when FTX (now bankrupt cryptocurrency exchange) blew up, it took a lot of credible companies with it. Wave didn't get hit by the scandal because they never believed the investment return of FTX and didn't think it was tenable.

Mr. Borsai explained his partner, David Siemer, a longtime mergers and acquisitions banker, sold his firm to a Chinese investment bank. Mr. Siemer had one of the early successful seed-stage venture companies in Southeast Asia. Wave has always looked for innovation, and Wave realized pretty quickly that Arizona is a very innovative place, whether it was solar, Waymo (noting that he rode in one for the first time to the meeting), or Uber, and Arizona is not afraid to go first. Wave found that really appealing. In the beginning, Wave's core business was treasury management through creation of financial products. In 2019, Wave created one of the first Bitcoin option products. Mr. Borsai then shared that he got incredibly focused on government in 2023, but after the FTX explosion, Wave purchased assets from all those big bankruptcies. Wave was buying hundreds of millions of dollars of assets from FTX and liquidating. So as a company, Wave became experts in the liquidation of these assets, and it wasn't Bitcoin. And Bitcoin is the easiest one. Wave was liquidating incredibly complex cryptocurrencies, called Altcoins ("Alts"). In 2023, Wave also responded to a request for proposal with the federal government to manage the federal government's Alts, and that process is ongoing. When this Administration came in, a lot of things changed, in a more positive direction for Wave because of the Administration's stance on crypto. In 2023, Wave also created a digital asset curriculum to educate the federal government and state governments. For this venture, Wave hired the former deputy chief of the IRS criminal investigation unit. Wave then started to give the curriculum away to states. Mr. Borsai apologized for all this context, but he thought it is important to understand the debt instrument. Mr. Borsai continued, sharing that Wave started educating the states at no charge because there needed to be a baseline understanding of what digital currencies are before we can start talking about finance. The second thing Wave did was create some software jointly that could help federal government understand what is being seized and what those values are. Wave has a contract with the IRS right now for them to start using the software. The software will also be used by Commerce and Treasury on the federal side.

Mr. Borsai explained that, over time, he has met with 23 attorneys general to discuss crypto, most recently with the A.G. of Pennsylvania. Collectively, Wave has met with various officials in about 15 states. The sole purpose being to educate state governments on digital assets, the value of those assets and what to do with them. Mr. Borsai shared that there is often a lot of cryptocurrency held as unclaimed property in a state.

He continued by noting that Arizona now accepts cryptocurrency as a form of payment for taxes because of Arizona's innovation with legislation – the reason Wave focused on Arizona. The thought to work with states came to him as a result of Wave's liquidation history. Every state holds a lot of cryptocurrency, including Arizona, and they could rebalance that by putting it into a remote bankruptcy trust against which municipal bonds could be issued. Ms. Trudeau helped them craft the details of the structure. Wave then sought patent protection of the structure, globally, though he noted that patents have not yet been issued. In order for the structure to be successful, Wave knew they needed to get a rating agency on board. No one thought it could be accomplished because it hadn't been done before. Wave went to all the rating agencies – S&P, Moody's, Fitch, Morningstar DBRS ("DBRS"), Kroll Bond Rating Agency ("KBRA") – and is almost at the finish line with all of them. The driving force behind the push to obtain a rating is that, when the current administration gives a mandate that permits retirement funds to take on exposure, they'll be able to do so if they invest in a rated instrument. While the plan is to start with just the singular bond, we are going to do a lot of other economic development. He thought someone mentioned infrastructure earlier, and he would get to that at the end. Mr. Borsai mentioned some of Wave's advisors include the global business head of PJM Interconnection, a member of the board of the Federal Retirement Thrift Investment Board, which is the biggest retirement fund in the world, a former Securities and Exchange Commission ("SEC") commissioner, a former Commodity Futures Trading Commission commissioner, and a member of the crypto task force for the SEC. When Wave proposed the structure to the rating agencies, they didn't want to talk about digital currencies or cryptocurrencies. Wave wanted to talk about an asset-backed product. Wave partnered with Greg Shlionsky from Rosemawr Management, who has been involved with transactions totaling $600 million in charter school bonds issued by AZIDA. Wave felt it was important to have a known team of professionals who understood the business involved in this type of novel product. Along those lines, Wave selected Jeffries LLC as its underwriter. Among Wave's supporters is Kyrsten Sinema, a former Arizona senator. Mr. Borsai shared that members of the Wave team have already met with some people at the state level and in the Governor's Office, and they've been incredibly supportive. He noted that cryptocurrency is a definite focus of this state.

Mr. Borsai shared that Wave's partner for the first issuance of $100 million of bonds is a company called CleanSpark, Inc. ("CleanSpark"). CleanSpark is a publicly listed, $4 billion company, with a billion dollars on their balance sheet. CleanSpark is very enthusiastic about coming into Arizona. Mr. Borsai then explained the way the proposed bond issuance will work. Wave will have the bond rated first because of the investor class Wave wants to sell to, and obtaining the rating is going to open up the entire market to Arizona for similar issuances in the future. The plan is that the bonds will be 160% over collateralized and the structure will provide for automatic liquidation if the value drops to 130%. The initial request will be for $100 million of bonds, with the proceeds staying with the custodian. He noted there are two possible custodians, BitGo and Anchorage Digital, two digital asset infrastructure platforms. The custodian for the proposed issuance will likely be BitGo. Using the features of overcollateralization and automatic liquidation, Wave is trying to create an innovative but safe debt instrument.

Mr. Swift asked if there are some bring downs at 5% intervals or something similar.

Mr. Borsai responded that everything is incredibly flexible, and Mr. Cobb could provide more information.

Mr. Swift apologized for using the wrong term. He was asking about the value of Bitcoin and its liquidation at 30.

Mr. Borsai said it will be set up so there is liquidation at 130% collateral value.

Mr. Swift asked if the value drops to a 140% range, is there a selloff in the Bitcoin market, generally, as the value drops.

Mr. Cobb explained there will be investment policies in place that are administered by the custodian and investor overseers. The nuances of those have been worked out with the rating agencies and Wave will take into consideration the relationship between volatility and liquidity in the market. There will be notifications prior to whatever the drop-dead threshold is. The sponsor here, CleanSpark, will receive notifications to top off that collateral ahead of time, because if it does hit that 130% or 135%, whatever it may be, it will be an automatic liquidation. He noted there would be virtually no price impact, which is a crazy thing to consider from where the market was 10 years ago.

Mr. Borsai added there was a digital asset company called Prime Trust that went bankrupt, and Wave handled liquidation of those assets. Wave liquidated $35 million of digital assets last week. It has a lot of experience in digital asset liquidation.

Ms. Romano noted that her question related to liquidation of cryptocurrency.

Mr. Borsai stated he was only talking about Bitcoin today.

Ms. Romano said she understood, but in one day Bitcoin can be doing great and by the afternoon, it could have fallen farther than the stock market, though sometimes it bounces back. The real question is – theoretically, if the value of the Bitcoin collateral was at 160% and it dropped to 130% in an afternoon, which is the liquidation trigger, realistically, how fast can the Bitcoin be liquidated?

Mr. Borsai said the process is fast, and liquidators are available 24 hours a day. The funny thing is that if the value of Bitcoin is going in a downward direction, the liquidity is actually higher, so liquidating is incredibly fast.

Ms. Romano asked for an explanation as to why the liquidity increases in that situation.

Mr. Borsai explained while it is not a great thing, if there is a catastrophic event, people will sell on emotion so there is more to buy. It's also a global currency and when we're selling, someone else is buying. One of the things the U.S. government did wrong during a previous liquidation was not paying attention to liquidations on a global scale since it is a global market. The U.S. Marshals Service liquidated Bitcoin at exactly the same time as Germany did and completely tanked the Bitcoin market for that day, though it wasn't catastrophic.

Ms. Pease said she believed it was a 16-point drop.

Mr. Swift said that he thought there were potentially 4-hour reviews that could have stopped that slide.

Mr. Borsai noted that Wave is looking into that situation more. Wave has provided data to the rating agencies that goes back to 2009, when Bitcoin was first used as a currency. The rating agencies are taking a look at every movement of the asset. Wave gave the rating agencies the full order book and there has been in-depth research with all of the rating agencies.

Mr. Swift said he liked the projections, and the illustration of the drop, historically and by what percentage, contained in Wave's slide deck. He noted it's like being on Fan Duel.

Mr. Borsai said it's a funny thing, because people always think of cryptocurrency as an anonymous thing, but it's not. It's actually transparent – all the movements that have ever happened and where they've happened can be seen.

Ms. Romano said that Mr. Cobb used the term "top off" and asked what that means.

Mr. Cobb said it means more Bitcoin collateral is added to the trust in the event the value starts to go down to avoid reaching the trigger point. Volatility tends to be reflexive and tends to over or under correct one way or the other. In this instance, CleanSpark, the only party whose funds are at risk, is highly sophisticated and can evaluate whether or not to add to the collateral to avoid liquidation if they think the price is likely to rebound very quickly. In such an event, CleanSpark could top off the collateral as the value began to diminish and before it hit 130.

Mr. Borsai explained that the bond offering itself is unlike anything that anyone has ever done. Wave's goal is to open the debt market for crypto because it is a $140 trillion market. Wave has been spending a lot of time speaking with pension consultants, everyone from Wiltshire Pension Fund to Callan to Lazard to Meketa Investment Group, as well as speaking at pension conferences, because there is demand for this type of product. The pension consultants want to take exposure, but they can't. The instrument is expected to have a 4% coupon, which can always be changed depending on how it's issued, with 15% upside to the lender buying the bond and the appreciation of Bitcoin over a three-year term. Because Wave wants to be partners with the state, they will give the state a 12% upside opportunity with no downside risk. The downside risk will be taken on by the Bitcoin miner. The reason the Bitcoin miners would agree to give away almost 30% upside is because they believe in Bitcoin. They believe in going long and they want to buy as much of it as they can. Right now, the lending market is anywhere from 9% to 14%. The miners believe issuing coupons and building a partnership with the state serves their purposes better. They want to bring mines to the state, which will employ people. Wave is looking to make the state a financial hub for cryptocurrency. Because when you think about debt and these financial instruments, historically, looking at the derivatives that can be created, double barrel, secondary trading markets, it opens itself up to so much opportunity in this climate. CleanSpark has committed hundreds of millions to Wave already, and this is before receipt of the rating. Mr. Borsai concluded by saying that the proposal is an innovative project with a working group of really good people, many of whom AZIDA is familiar with and has worked with in the past. He then offered to take questions.

Mr. Burns asked if, other than waiting on a bond rating, there are any other regulatory hurdles Wave still must go through.

Mr. Borsai said that, as a company, Wave must do audits with the SEC every year and they are incredibly careful. Wave has consulted with both Denton's and Orrick and are not leaving a stone unturned. Even though the current administration is pro-crypto, Wave is taking every precaution because they don't want to make a mistake. Mr. Borsai noted that in his lifetime, this is his one chance to open up the debt market for crypto. The opportunity rests on how closely Wave is aligned with the state. That's how Wave wants to move forward and the reason they went to the governor first. He added that Kyrsten Sinema has been a huge advocate for Wave, and they are really focused on doing this appropriately, and there is a lot of opportunity that will come out of this transaction.

Mr. Whittington noted being the first always sounds good until five years later when you're having that look back to see where you screwed up. He would want to understand the potential policy implications for the state of Arizona around this. He also would want to see very strong messaging about how this financing aligns with the mission of AZIDA. He added that infrastructure and potential job creation was brought up and AZIDA needs to think about brand and reputational risk. AZIDA is in a very good space right now, so he's thinking about the risks of being the first in, the benefits as well as the risk, and then potential policy implications. Mr. Whittington said he is an innovator and believes in taking risks. However, he believes AZIDA needs to be very intentional around the public facing messaging when considering this opportunity, especially that it be done through the lens of AZIDA's mission. If AZIDA just goes out and talks about Bitcoin and crypto and that AZIDA is innovative, we could potentially do a lot of damage to AZIDA's reputation. However, if we really focus on talking about this through a mission lens, we can do well.

Mr. Borsai said he was on the same page as Mr. Whittington. He didn't want to talk about crypto and that is why Wave went to the rating agencies and talked about asset-backed collateral – Bitcoin is just a type of asset that can be used for collateral. In this way, the structure fit into a rating methodology that already existed, instead of trying to be innovative and create an entirely new one. Mr. Borsai also agreed in terms of the mission statement and that is why Wave is working with the Governor's Office, and Ms. Pease is working with Representative Weninger on legislation. He said he guarantees that he is not going to risk Wave's or Ms. Pease's reputation by doing something that doesn't have the correct messaging. That messaging is going to come from the Governor's Office, and that's what makes this a different issuance. Wave is not going through AZIDA as a conduit issuer so it can easily have bonds issued. Wave is proposing this transaction in conjunction with an initiative from the administration that works in this State – so it's a partnered agenda. Mr. Borsai added he is as conservative as AZIDA is on this because there is too much to lose. He promised that as someone who has made it through the hard times, he isn't going to mess up in the easy times.

Mr. Cobb agreed that Mr. Whittington made all great points. As with all conduit deals, the bonds would be special limited obligations of AZIDA with no liability exposure to AZIDA, which he knows everyone knows, but it's important to keep in mind. Mr. Cobb noted that Mr. Borsai had spoken a lot about how investors are protected by an extreme collateralization scenario and has the coverage of a number of different rating agencies who are very sophisticated at these sorts of transactions and have really put their nose under the tent. He knows everything AZIDA does is driven by its policies and the objectives of the state of Arizona, and this is a first step towards a much broader plan of leveraging Bitcoin and cryptocurrency in a way that can support tangible real-world infrastructure projects in Arizona that may not otherwise be able to get done. Mr. Cobb added that before we can run, we have to crawl, and we do that by first getting the market comfortable with this sort of transaction. He joked with Mr. Whittington that we won't be looking back in five years because the bonds will mature in three years.

Mr. Borsai remarked that the proposed issuance would be the first rated digital currency, Bitcoin-backed bond, and the rating agencies are giving the stamps of approval; it's S&P, Moody's, Fitch, DBRS, and KBRA.

Mr. Swift agreed but said AZIDA needs a really good partner on this because while even if it makes sense right now, the optics may prove to be an issue. The public doesn't understand that AZIDA is not financially obligated. There have been past AZIDA projects where Mr. Swift had ended up on a first name-basis with reporters at Bloomberg News, The Wall Street Journal, etc., and he doesn't care to go down that road again. Mr. Swift noted he was not afraid of something innovative, but as Mr. Whittington said, it is going to require a lot of accurate and proper messaging.

Mr. Borsai agreed. In terms of messaging, Wave just hired Prosek Partners, a publicity firm that represents BlackRock and Prudential and a lot of other big financial institutions. Mr. Borsai added he wants to do this collaboratively with AZIDA, and he has no problem building the messaging with AZIDA in the same way Wave is building with the Governor's Office.

Mr. Cobb added he thinks it may be helpful to organize into a presentable format, the support Mr. Borsai has obtained from the Governor's and Senator's offices.

Ms. Romano agreed and noted she had been involved in several conversations regarding this subject, including with the Governor's Office. She added that she has questions about some of the terms she doesn't understand.

Mr. Borsai said he would be happy to answer any questions and if he could not provide an answer, Ms. Trudeau would provide answers.

Ms. Romano asked for an explanation of a bankruptcy-remote trust, which is what the materials indicate would be the obligor on the bond debt.

Ms. Trudeau responded that it means, to the extent that any other party connected within the structure of the issuance goes bankrupt, the assets included in the trust that secures the bonds cannot be attached for the purposes of a bankruptcy. If Wave or CleanSpark went bankrupt, those assets could not be attached in bankruptcy, and the bonds would remain secured to the extent of the value of the assets in the trust.

Ms. Romano asked how that was done.

Ms. Trudeau explained that an entirely separate entity is legally created, and the assets are pledged into that entity.

Ms. Romano said she didn't know that was possible.

Mr. Cobb noted there are provisions under the Uniform Commercial Code ("UCC") where if certain steps and opinions are rendered, it's ironclad with respect to protection from attachment in a bankruptcy situation.

Ms. Trudeau said it's the process used in an asset-backed securitization. By virtue of the federal bankruptcy rules, the securitized assets could not be attached – they are assets held by the trust for only that purpose.

Ms. Pease added Wave does this for their clients all the time. It's a standard procedure.

Ms. Romano asked if Mr. Hession had any questions.

Mr. Hession said the bankruptcy remote entity is something he has used, and it has been part of a number of financings that AZIDA has done. He thinks it's as ironclad as anyone can make it, but the bankruptcy court judges are a bit of a law amongst themselves.

Ms. Romano said that was a new concept to her as far as the bankruptcy aspect.

Ms. Romano then asked for an explanation of cold storage.

Ms. Trudeau explained that cryptocurrency lives in digital wallets and those wallets can either be connected to the internet or not connected to the internet. The ones not connected to the internet are essentially considered cold storage. In that case, the Bitcoin lives in a USB key, not connected to the internet, so it is completely separate and cannot be accessed remotely.

Ms. Romano then asked about cybersecurity and the risk of hacking.

Ms. Pease explained that the digital custodians are also insured. So, even though the wallets are on cold storage, they are insured as well. In the unlikely event somebody walked in and stole the wallet, there is an insurance component.

Ms. Romano asked if it was correct that Wave would be attracting the 144A investors, which are private placement investors.

Mr. Borsai said she was correct and added that Wave has never dealt with retail investors as a company in their history. Wave has always worked with institutional investors. One of Wave's main activities is treasury management for the big crypto protocols and Wave has never looked at retail.

Ms. Romano said she likes the 160% overcollateralization and asked Mr. Borsai if he felt confident that investors are going to feel that's enough.

Mr. Borsai replied yes, because if you take a look at what investors are taking exposure in now, we're going to solve a big problem actually at the pension and endowment level, and those equities are incredibly risky. Mr. Borsai is really excited about having a rated instrument.

Ms. Romano appreciated the time spent on educating the Board. AZIDA needs to make sure they are asking the right questions for all the reasons Mr. Swift and others have brought up.

Mr. Borsai said Wave will come back as many times as needed to have these conversations.

Ms. Romano noted she wants to make sure the Board has done the appropriate due diligence before taking action on the proposed transaction.

Mr. Hession asked who has responsibility for price monitoring? He understands the automatic liquidation process, but who is monitoring the price and is it monitored 24/7?

Mr. Borsai said Wave makes sure it is monitored 24/7. The two possible custodian entities, whether it's BitGo or Anchorage, constantly monitor pricing. Wave also has a team that monitors pricing very closely and that is why Wave has done well with Treasury management.

Ms. Pease added that while BitGo and Anchorage are custodians, they also have trading desks where they do liquidation, so it really is automatic. The custodians have software programs and teams of people monitoring pricing 24/7, and they do this for many of their other clients as well. There is not just one person sitting behind a monitor watching pricing.

Mr. Borsai thought he heard someone laugh at that thought, and noted the U.S. Marshals Service, who suffered that poorly timed liquidation mentioned earlier, had one person monitoring.

Ms. Pease added that it was one person monitoring $20 billion.

Mr. Hession agreed the monitoring was insufficient but distinguished the situation by noting that the U.S. Marshals Service wasn't holding the asset for someone else, they were holding it for themselves – the bar is higher here and AZIDA wants to be a little more mindful of that. Mr. Hession then asked if Anchorage itself would have the ability to liquidate if the threshold is reached.

Mr. Borsai said yes.

Mr. Hession noticed the PowerPoint indicated Wave is planning to have a 3% "flash liquidity" facility backing up the Bitcoin liquidation in a trigger event. Does Wave know or can they say who is providing the flash facility?

Mr. Cobb said he doesn't know who is providing the flash facility or if it is has been confirmed, but Wave can certainly get that information.

Mr. Hession said that would be fine and said he noticed references to Miner Y in the presentation and asked what that was referencing.

Mr. Cobb responded that was probably just a fill in, but it is CleanSpark.

Mr. Borsai confirmed CleanSpark is the miner.

Mr. Hession asked about the source of the Bitcoin that will be used and if it would be freshly mined.

Mr. Borsai said CleanSpark would be the source, but it may not necessarily be freshly mined. He noted CleanSpark currently mines about 600 Bitcoin a month and they have a treasury that currently has almost a billion dollars of Bitcoin.

Mr. Cobb added there will be a clear record of provenance for any Bitcoin placed in the trust.

Mr. Borsai offered another point of reference noting that Wave has a contract with the state of New York to assist with victim restitution and returning funds under Anti-Money Laundering ("AML") and Know Your Customer ("KYC") procedures to make sure that the Office of Foreign Assets Control ("OFAC") is not involved, and funds are not going to a terrorist organization. So, there is transparency about where the Bitcoin is coming from.

Ms. Trudeau explained that Wave is a registered investment advisor with the SEC and is also subject to The Bank Secrecy Act rules, which include AML and KYC, so it is imperative that Wave not be involved in any Bitcoin transactions where the provenance is tainted in any way. Therefore, the Bitcoin to be used as the collateral in this transaction would have to come from a clean wallet that had never been involved in anything nefarious.

Mr. Borsai reminded the group that no one has done this type of financing yet because there are a lot of moving pieces.

Ms. Romano agreed and noted there are also a lot of new terms to learn.

Mr. Hession said Mr. Cobb indicated Wave was going to go for 144A investors but asked if Wave is just looking at accredited investors or also looking at high net worth individuals.

Mr. Cobb responded it was his understanding that high net worth individuals will not be involved in this transaction.

Mr. Borsai said Wave planned to go to institutional investors first.

Mr. Hession appreciated confirmation that sales would be restricted to institutional investors only.

Mr. Borsai added that his sense was that the instrument was going to be sold before it's even offered just by the demand Wave is seeing from pensions. The demand just outweighs the opportunity, especially because they haven't been able to take on exposure before. He mentioned that right now, Fannie and Freddie are looking at crypto. One of Wave's board members was asked to be CIO of Fannie, so that's why Wave gets a lot of the insight. Mr. Borsai added he wasn't supposed to divulge that information, but no one knows who it is.

Mr. Hession shared that he has worked on a number of different securitizations with a lot of different assets. He noted there is a reference in the presentation materials to gold-backed notes and asked if they are or have been a more unusual asset class or are they also municipal securitizations like those being proposed here or are they just securitizations in general.

Ms. Pease asked if he was referring to the gold and S&P investments.

Mr. Hession said yes.

Ms. Pease said that slide illustrated what a portfolio would look like with investments of 1%, 5% or 10% in gold over a period of time and it provided the Sharpe and Sortino ratios. Then the same comparison was done with Bitcoin, and then only with Bitcoin. Another illustration showed portfolio performance investing 1%, 5% or 10% without altcoins, along with the S&P.

Mr. Hession apologized and noted that was not the question, but he could come back and ask separately.

Mr. Borsai indicated they were happy to answer questions from everyone.

Ms. Romano added that she has Mr. Cobb's email and could forward questions.

Mr. Ghelfi wanted to revisit the liquidation process, noting that Wave had participated in it, but it is an area about which he would like more information and not just about the human aspect.

Mr. Borsai said that the process was mapped out in the slide deck.

Ms. Pease confirmed then asked Mr. Cobb if he would go through the liquidation process.

Mr. Hession asked if the source of the 4% coupon being paid to the investors would be liquidated from the $160,000,000 worth of collateral or be separately funded each time.

Mr. Borsai said it's all going into the account with the intention of liquidating to pay.

Mr. Hession asked if that will all be assets of the SPV.

Mr. Borsai said yes.

Mr. Hession thanked everyone for indulging his questions.

Mr. Borsai then explained why he was a bit hesitant to discuss the liquidation process. He noted his partner, who was with Alliance Bernstein and Bank of America for most of his career, heads up Wave's trading desk and he handles the liquidations. Mr. Borsai feels the finance partner that actually does the liquidations would provide better information than he could.

Ms. Pease added she has a document that details the steps the custodian goes through when liquidation events occur and could send that to whomever would like it.

Ms. Romano asked that it be sent to Mr. Swift and Ms. McGuire and they will ensure it is distributed to the appropriate parties.

Mr. Borsai said he was a bit disappointed that Mr. Shlionsky was out of the country and could not attend the meeting. He believed the last transaction Mr. Shlionsky did with AZIDA was a charter school financing.

Ms. Romano said she appreciated being walked through how the transaction is going to get done and really wants to be sure the protective processes are in place. She noted several of the Board members are lenders, so liquidating assets is something they are familiar with, as in this is an asset and we're going to liquidate it. However, every type of asset has its own little quirks when it comes to liquidating.

Mr. Borsai said that's even more true when you look at the tens of thousands of alternative currencies Wave has liquidated and the nuance with the liquidity.

Mr. Cobb added there is no need to worry about that with Bitcoin.

Mr. Borsai agreed but said he would not go down that rabbit hole.

Ms. Romano said there was no need to go further as she also did not want to go down the rabbit hole, and dealing with Bitcoin is well-known for that. That is the reason for the questions, because a reliable automatic liquidation process would be an AZIDA condition. She then asked if Mr. Burns or Mr. Whittington had any questions.

Mr. Whittington said he had no questions.

Mr. Burns said he had no questions and added that he understands the concepts better than he thought he would.

Ms. Romano said it was a good explanation and expressed appreciation to the Wave team for their presentation.

Mr. Borsai thanked the Board for the time and confirmed the next meeting is October 18th.

Ms. Romano confirmed the meeting date.

Ms. Pease added that she printed out the information on the liquidation process.

Ms. Romano thanked Ms. Pease and said she understands it better now – the biggest issue, of course, is that money goes up and money goes down.

4. **Presentation and Discussion; No Board Action – Executive Director's Report**

Dirk Swift, Executive Director, introduced Carson Folk, AZIDA's conduit bond business development officer, and noted this month's board package was prepared by Mr. Folk.

Ms. Romano told Mr. Folk he did a good job.

Mr. Swift added that Mr. Folk is picking up on things quickly and there will be other aspects of the new role to discuss with the Board at future meetings. Mr. Swift shared his appreciation for the Board members taking time to work on the annual conflict of interest statements.

Mr. Swift had looked into digital wallets a bit in preparation for today's meeting. His understanding is that digital wallets have no traceable ownership. The transactions that go back and forth are known, however, the owner of a digital wallet is unknown. He questioned if AZIDA staff and legal counsel may need to consider updating the conflict-of-interest statement if AZIDA does projects with cryptocurrency.

Ms. Romano said that is an excellent question. She thinks that if AZIDA gets further into cryptocurrency, additional policies may be needed because this type of bond does not work the same way that a multifamily housing bond works. AZIDA will eventually need to adopt policies to protect AZIDA if it participates in these types of innovative transactions.

Mr. Swift amplified the point. AZIDA doesn't want to get bureaucratic, and certainly wants to move at the speed of business, but we need to move forward with careful consideration.

Ms. Romano agreed and said legal counsel may be able to create some policy on that. She said she thinks some of the provisions being offered are somewhat conservative for Bitcoin, which doesn't mean AZIDA can't or shouldn't continue moving forward if appropriate. But when she heard the word derivatives, she started to get hives.

Mr. Swift finished his report noting that, generally, everything else is going fine operationally and he has nothing else to report at this time.

Ms. Romano told Mr. Swift to enjoy his trip to Italy.

Mr. Swift thanked Ms. Romano and said he will be gone starting September 19th but will have his laptop so he can be contacted in case of dire emergency.

Ms. Romano then asked if financials would be presented at the next meeting.

Mr. Swift responded that yes, the information would be presented at the next meeting, as the financial team decided it would be best to make that presentation after the quarter closed.

Ms. Romano agreed that it should be the next quarter.

5. **Adoption of Minutes of the August 21, 2025, AZIDA Regular Board Meeting and Executive Session**

Board member **Ken Burns** moved to adopt the minutes of the August 21, 2025, AZIDA regular board meeting and the minutes of the August 21, 2025, AZIDA executive session. Board member **Andre Whittington** seconded the motion.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed.

6. **Call to the Public**

Ms. Belisle announced a call to the public for comments.

Ms. Romano addressed Mr. Whittington sharing that it was nice to do something for a CDFI. She didn't know that a CDFI could be bond rated and she was impressed with the presentation.

Mr. Whittington agreed.

7. **Announcements**

Ms. Romano announced that the next regular meeting of the Arizona Industrial Development Authority is scheduled to be held in person on Thursday, October 16, 2025, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

8. **Adjournment**

Board member **Andre Whittington** motioned for adjournment of the AZIDA Board meeting at 4:10 p.m. Board member **Ken Burns** seconded.

By a vote of 3 ayes, 0 opposed and 0 abstentions, the motion passed, and the meeting was adjourned.

[*Remainder of page left blank; signature page follows*]

Approval: The undersigned hereby certifies that the Board of Directors of the Arizona Industrial Development Authority formally adopted these Minutes on the date shown below.

______________________	November 6, 2025
Dirk Swift, Executive Director	Date of Board Action

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