

Meeting Minutes

**ARIZONA INDUSTRIAL DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS MEETING**

Location: In-Person Meeting at Regus
2025 N. 3rd Street, Suite B300, Room 336, Phoenix, Arizona 85004

Date and Time: Thursday, January 16, 2025
3:00 p.m.

Board Members Present (Appearing in Person):
Robin Romano

Board Members Present (Appearing via Zoom/Telephonically):
David Castillo
Marcel Dabdoub

Board Members Absent:
Ken Burns (with prior notice)
Andre Whittington (with prior notice)

Staff Present (Appearing in Person):
Dirk Swift, Executive Director
Dan Dialessi, Chief Financial Officer
Deaun Hampton, Operations and Administrative Coordinator
Pat Ray, Cathedral Rock Issuer Services, Bond Program Manager

Meeting Facilitator (Appearing in Person):
Kelly McGuire, Kutak Rock LLP

Presenters (Appearing via Zoom/Telephonically):
Bryan Ziebart, ISF Ativo Holdings LLC
Steve Hicks, Provident Resources Group

Presenters (Appearing in Person):
Jason Leshner, GLC Advisors

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 member Robin Romano

attended in person. Board members David Castillo and Marcel Dabdoub appeared via Zoom. Roll was called by Kelly McGuire, as meeting facilitator, and Ken Burns and Andre Whittington were noted as absent. Each had previously informed Ms. Romano that he would be unable to attend. A quorum was declared present. Ms. Romano asked the Board members if they had any conflicts related to the items on the agenda. None declared a conflict.

2. **Agenda Items Considered:**

Presentation, Discussion & Adoption

Approval of Resolution No. 2025-1 – Authorizing the issuance of Senior Living Revenue Bonds (ISF-Ativo Project), in an aggregate principal amount not-to-exceed \$170,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of ISF Ativo Holdings LLC.

Bryan Ziebart, President of Integrated Senior Foundation, Inc., the sole member of ISF Ativo Holdings, LLC (“ISF”), addressed the Board. He explained that the overall project includes three communities located in Yuma and Buckeye, Arizona, and Santa Clarita, California. The Yuma development is the acquisition of an existing stabilized senior living community with a total of 79 units, comprised of 55 assisted living units and 24 memory care units, and supports a range of income levels and acuities. This development is considered a rural community and fills an essential gap in the area. The Buckeye development is the only purpose-built independent living, assisted living or memory care facility within a 10-mile radius and fills a known gap for additional senior housing within the City of Buckeye. This development will provide essential and needed services for the aging population in the Buckeye market.

Ms. Romano noted the location of the Santa Clarita community, which may also benefit from a portion of the bonds, and wondered if it was in range of any of the wildfires. Mr. Ziebart confirmed that the Santa Clarita community is not threatened by any of the wildfires. Ms. Romano thanked ISF for their diligence and said she had no questions about the project and expressed delight at the community locations in rural Yuma and Buckeye.

Mr. Dabdoub expressed concern that the average cost per unit, at \$900,000, was high but noted that including the Santa Clarita property brought up the per-unit average significantly.

Mr. Ziebart explained that the development expense in Santa Clarita is almost the same as the Buckeye development, despite the Buckeye development having 60 additional units. He also noted that ISF does not anticipate any issues related to the wildfires for the Santa Clarita location, but ISF has consulted with its insurance team and anticipates full coverage for ongoing operations against fires of any cause.

Board member **Robin Romano** then motioned to approve Resolution No. 2025-1, as presented. Board member **Marcel Dabdoub** seconded the motion.

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

Presentation, Discussion & Adoption

Approval of Resolution No. 2025-2 – Authorizing the issuance of Senior Living Revenue Bonds (Great Lakes Senior Living Communities LLC Project), in an aggregate principal amount not-to-exceed \$500,000,000, to be issued in one or more tax-exempt and/or taxable series, for the benefit of Great Lakes Senior Living Communities LLC.

Steve Hicks, the Chairman and CEO of Provident Resources Group Inc., the sole member of Great Lakes Senior Living Communities LLC (“Great Lakes”) addressed the Board. He reminded the Board that Great Lakes, their advisor, GLC Advisors (“GLC”), the senior bondholders, and the trustee bank have been diligently working on the restructuring for 2-1/2 years. He then introduced Jason Leshner of GLC for an opening presentation.

Mr. Leshner explained that GLC has been the financial advisor to Great Lakes over the past 2-1/2 years and they are requesting approval for the restructuring of Great Lakes’ balance sheet. The transaction had been proposed in its current form to the Minnesota State Court for their consent to effectuate the transaction via trust instruction petition (TIP), which went to court on October 10, 2024. Following a hearing in Minnesota State Court on November 20, 2024, Judge Julia Dayton Klein signed the order, confirming the petition without any objection. Mr. Leshner noted that leading up to the court filings and the hearing, multiple notices were posted to EMMA*. All information was made available to the existing bondholders and the public throughout the TIP process and no objections were made.

Mr. Leshner then provided a brief overview of the transaction. He also shared that over 80% of the bondholders have agreed to restructure the balance sheet in a way that avoids impairing any creditors, reduces cash debt service to Great Lakes in the near term, and provides \$10 million of incremental new money capital from existing bondholders to support working capital, deferred capital expenses, and operations. At its core, the restructuring provides Great Lakes time to grow into its capital structure and return to its pre-COVID run rate performance, which demonstrated that Great Lakes could support its balance sheet at that time. The sponsor, manager, and majority bondholders believe that Great Lakes can grow into its capital structure and are, therefore, supportive of the transaction. The transaction also modifies the revenue waterfall to provide higher payment priority for operating expenses and redesigns the covenant structure to provide the bondholders with reasonable protections, while also being designed to avoid triggering a technical default because of any minor foot fault in any particular order. He noted a stress test was included in the presentation packet. GLC ran several downside scenarios that reflected Great Lakes should have adequate cushion to avoid a foot fault or an erroneous technical default over the forecast period. Lastly, just from an investment thesis perspective and industry perspective, including in the Midwest (where Great Lakes

* The Electronic Municipal Market Access (EMMA) system, operated by the Municipal Securities Rulemaking Board (MSRB), serves as a resource for municipal securities disclosures and related financial data in the United States.

operates), there is a supply and demand factor at play evidencing a structural imbalance over the next 10 years, in particular with the wave of baby boomers that are going to need senior housing, despite a very pronounced desire by that population to age at home. Due to financial challenges, frailty, and other reasons, it's not going to be practical to stay at home forever, so there is a large wave of demand coming. At the same time, there's a supply shortage across the country, including in markets where Great Lakes operates. That could change over time, but current industry estimates are forecasting material housing shortages for senior care tenants. Mr. Leshner noted there's a very interesting investment thesis here for folks with a long-term investment horizon, which further speaks to why the bondholders are supportive of refinancing and pushing out maturities. He then offered to answer any questions.

Ms. Romano noted she had a lot of questions at the time this project was originally presented to the Board, and she thanked Great Lakes and GLC for the obvious effort that went into answering the Board's questions and providing additional information in the Board packets on the restructuring plan and how the money will be used.

Mr. Castillo said Mr. Hicks mentioned a relationship with Mr. Ray as a former law partner and asked if it was necessary for Mr. Ray to provide an affirmative statement that there is no actual conflict of interest.

Mr. Ray made an affirmative statement that there is no conflict of interest.

Ms. Romano noted such statement and then asked Mr. Dabdoub if he had any questions regarding the information presented by GLC on the financial projections.

Mr. Dabdoub said he had a hard time finding the debt service coverage ratio ("DSCR") based on the new loan covenants. Mr. Leshner directed him to the information in the presentation packet and noted that the covenant definition itself is being modified in connection with the restructuring and only the Series A and Series B bonds are being captured.

Mr. Dabdoub noted that the DSCR is projected to grow to 48% by the end of 2053.

Mr. Leshner said that is the cushion to the covenant and it is also based on the maximum annual debt service, the most punitive measure from a metrics standpoint.

Ms. Romano noted the presentation packet also included detailed sensitivity scenarios, flatline occupancy growth and forecasted 20% increase on the base and she thought all were conservative and not unrealistic. She added that Great Lakes and GLC had answered all questions previously posed by AZIDA. She noted that the Board hopes this is the last time Great Lakes needs to do a restructuring and that they have positive cash flow and are able to come out of default.

Mr. Hicks thanked AZIDA and its staff for their partnership through this process.

Board member **Marcel Dabdoub** then motioned to approve Resolution No. 2025-2, as presented. Board member **David Castillo** seconded the motion.

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

3. **Presentation and Discussion; No Board Action – Chief Financial Officer’s Report**

Dan Dialessi updated the Board on a few key measures of operations. During fiscal year 2025-to-date, 18 conduit projects have closed with about \$1.1 billion in volume generating a little over \$5 million in fees for AZIDA. The TBA program has closed 75 loans with approximately \$24 million in volume and approximately \$240,000 in down payment assistance, and the mortgage revenue bond (“MRB”) program closed 178 loans with approximately \$46 million in volume and approximately \$1.8 million in down payment assistance. Combined, the single family programs have closed 253 loans with approximately \$70 million in volume and approximately \$2 million in down payment assistance.

Ms. Romano said it was good to see the TBA program is starting to pick up.

Mr. Swift added he was pleasantly surprised in that the TBA program is driven by the market and the market has not been favorable for AZIDA’s full suite of products.

Ms. Romano noted that mortgage interest rates used to be a lot higher – 10% for her first home – but the purchase price of the house was a lot cheaper then.

Mr. Dialessi then walked through the balance sheet accounts. He is still working with the bookkeeper to capture all of the MRB activity so it is accurately and transparently reflected in AZIDA’s financial materials.

Mr. Dialessi explained income on the conduit side is pretty straight forward. The income comes from the fees received when conduit bond financings close. There has been approximately \$5 million in fees received so far this fiscal year. For the TBA and MRB programs, AZIDA staff are still working on capturing the income received. When the mortgage-backed securities in the MRB program settle, AZIDA makes a little spread but there’s a lot moving and staff is still hammering out the details to capture it.

Mr. Dialessi said AZIDA is on track budget wise with all expenses, which totals approximately \$4 million. Mr. Dialessi explained that the operating expenses number will be adjusted for bad debt expense with respect to the amortization of second liens.

Ms. Romano asked if the bad debt on the forgivable means the portion that’s forgiven.

Mr. Swift said it isn’t. He explained that AZIDA makes an assumption that some of the forgivable seconds aren’t going to pay back dollar for dollar.

Ms. Romano then asked if that should be a credit against the balance sheet.

Mr. Dabdoub suggested a loan loss reserve.

Ms. Romano agreed with a loan loss reserve.

Mr. Swift said it is included on the balance sheet.

Mr. Dialessi explained that there is an amount that needs to get captured when it actually happens, and he believes that is what is happening here. Over the course of the last six months, if you took the thousands of second liens that are forgivable in three years, every month there is a small decrease and if we capture those over the last six months, it adds up.

Mr. Swift noted the asset value is decreasing and then there is also a bad debt portion.

Mr. Dialessi added that it seems odd to show that.

Ms. Romano agreed that it does seem odd and she understands having an expense for a credit loss, but that's different than the forgiveness portion.

Mr. Swift added that is one of the reasons we wanted to present this information prior to the next agenda item.

Ms. Romano agreed he needs to hire somebody, and she doesn't think that what is being done is necessarily correct.

Mr. Dialessi added that he pulls the reports and journal entries are not recorded in the proper method.

Ms. Romano said it doesn't feel like it meets GAAP guidelines.

Mr. Dabdoub suggested that we have somebody confirm whether this is GAAP compliant to ensure it's being done the correct way.

Mr. Dialessi confirmed that an audit firm was consulted for the audit and when the MRB program started to get everything up to gold standard accounting. This was done for 2024, but AZIDA was not too far into its first MRB program at that point. Mr. Dialessi explained that he is collecting the data but that he needs assistance with the journal entry component to capture the activity.

Ms. Romano agreed and thought there needs to be a separate spreadsheet for the calculations, to capture the number of loans, projections of what may go wrong and then have an expense level for that.

Mr. Dialessi said he has that information, it's just a matter of getting it into QuickBooks.

Ms. Romano noted that if AZIDA hires somebody the Board should expect to see some adjustments to the income statement and balance sheet in the future.

Mr. Dialessi agreed and said the cash that is in the accounts is the cash in the accounts.

Ms. Romano said there needs to be asset management.

Mr. Swift added that AZIDA is currently relying on a bookkeeper to enter the data and it comes out a certain way, but then the data needs to be manipulated to make it fit the reporting mechanism. It has gotten to the point where a specific skill set is needed.

Mr. Dialessi said that he currently sends all of the information to the bookkeeper through a network drive and waits for the information to show up in QuickBooks, then may make phone calls and/or send emails and then waits again.

Ms. Romano noted it was important to get this right, especially since the Governor would like AZIDA to do more with “Arizona is Home.” The information needs to be captured correctly and the balance sheet and income statement must be correct.

Mr. Dabdoub added that even if those funds are being held in the operating bank account, it would still be good to show an item for the amount of loan loss reserve sitting in that account on the balance sheet.

Mr. Dialessi agreed and said we have numbers for that so it can be reflected when a new balance sheet is created.

Ms. Romano said things will get a little rearranged and there may be some adjustments.

Mr. Swift agreed but said we’re a product of what we have right now as it relates to the system and process.

Ms. Romano said she is glad that staff is thinking ahead – the information needs to be correct.

Mr. Dabdoub agreed with Ms. Romano. He noted that the conversation isn’t to judge what exists right now, but to figure out where we want to go.

Mr. Dialessi agreed and said we’re not even 100% certain that QuickBooks is the correct environment.

Ms. Romano said it definitely is not.

Mr. Dialessi ended with a note that budget-wise, AZIDA is on track with expected expenses and is doing great volume – the programs are a success.

Mr. Castillo then added that, Native Community Capital just transitioned from QuickBooks to a real fund accounting system with MIP Fund Accounting. He shared that the transition was a positive quantum leap for them.

4. **Authorization for Executive Director to Hire a Full-Time Employee for Bookkeeping and Administrative Purposes**

As a continuation of the discussion for the previous agenda item, Mr. Swift emphasized the need for an additional employee with the specific skills needed to capture all accounting information and ensure it is reported correctly on the financial statements. He

presented an organization chart for AZIDA showing each position's responsibility. The proposed fourth position would provide more diversification and improve succession planning. Mr. Swift added it would provide an opportunity for Ms. Hampton to utilize her mortgage background and focus on the home ownership side of the business.

Board member **Marcel Dabdoub** then motioned to authorize the Executive Director to hire a full-time employee for the accounting position discussed. Board member **David Castillo** seconded the motion.

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

5. **Presentation and Discussion; No Board Action – Strategic Planning Update**

Mr. Swift said that one of the objectives mentioned in the strategic planning session was the creation of a 501(c)(3). He was unsure of the specific purpose of the 501(c)(3) and asked the Board for clarification. He explained that a 501(c)(3) must have a specific purpose and he was unclear as to the proposed purpose.

Ms. Romano said the Board discussed that originally the thought was to provide AZIDA with the ability to distribute funding in order to do something good in the community, in the form of grants or some other mechanism. AZIDA's current structure and the way it is legislated makes that difficult and the thought was that a 501(c)(3) may provide flexibility. With no immediate funding plans, it may not be something necessary to pursue at this point in time.

Mr. Swift then shared that Mr. Ray had sent a draft of a brief memo to he and Ms. Romano regarding possible new business channels and revenue sources but would present the ideas more formally at the next AZIDA meeting. Mr. Ray added that the basic thrust is to create a more diversified revenue stream by creating a third line of business that doesn't involve conduit bonds, the TBA or MRBs. Mr. Ray explained that the line of business could be another source of income for AZIDA to use as the Board deems fit. It would not be a 501(c)(3), but a separate legal entity created by AZIDA, such as a single member LLC and disregarded entity for federal tax purposes, to do financings. Mr. Swift added that this is something other IDAs do.

Ms. Romano had not yet seen the memo and asked about the financings.

Mr. Ray explained that the opportunities are really open. It can be a land bank or it can be the acquisition of revenue producing assets. It can be anything AZIDA would like to do, but we just need to create the vehicle to do it. It would help stimulate other bond issues. It could also just be assets that would grow over time for the benefit of AZIDA, with the threshold issues being no risk to AZIDA and no money out of pocket to AZIDA. AZIDA can't operate anything because state law doesn't allow AZIDA to operate anything. To the extent AZIDA acquires something, it must either be a turnkey operation or a triple net lease or something similar. Mr. Ray informed the Board that he does have a real live deal in mind that would take advantage of the proposed new entity, which is discussed in the memo. Mr. Ray said the deal is fairly imminent and could be done in the

second or third quarter of this year. It's a pretty big deal that would generate a lot of money for AZIDA and it has nothing to do with bonds or the TBA.

Mr. Swift added that he mentioned the memo only to make the Board aware that additional potential revenue streams are being explored and the topic will be formally presented at the next AZIDA meeting.

Ms. Romano noted that money doesn't flow down to AZIDA, it flows up and she asked if this money would have to flow up.

Mr. Ray explained that this money would flow to AZIDA because it is not bond money nor TBA money. He added that he doesn't get anything out of this and doesn't get paid anything either. This is for the Board to do to make money for the Board, but by statute, at the end of the fiscal year, any unencumbered moneys have to flow up. However, AZIDA could encumber this money specifically, because it's not bond money nor TBA money, so it's not earmarked for Office of Economic Opportunity or the Housing Trust Fund. It's AZIDA's money to encumber and do what it wants with it.

Mr. Castillo said he would like to review the memo and added he is wary of things that are opportunistic versus something that is planned and has a shelf life. Typically, if you're starting up a new line of business, proformas are generated and you project how that line of business will grow. This appears to be an opportunistic approach to setting up a special purpose entity, which he thought was being talked less about with the nonprofit. The objective of creating a nonprofit was to have a vehicle to allow AZIDA to do different things with a trajectory. As long as this proposed third line of business has a trajectory, he thinks it should definitely be considered. Mr. Castillo added that any time there is a business deal with one thing to go after, it's a red flag for him.

Mr. Ray agreed with Mr. Castillo and said his thoughts were totally consistent with the contents of the memo and the presentation next month.

Mr. Dabdoub then asked if these discussions should be done at a Board meeting or a strategic planning session because of open meeting laws.

Ms. McGuire said that it needs to be discussed in an open meeting but the Board could schedule a special meeting just to focus on this discussion.

Mr. Dabdoub agreed with an open meeting outside of a regular Board meeting because Board meetings tend to focus on standard agenda items and these types of conversations require the Board members to be in a different frame of mind.

Ms. Romano agreed and indicated the Board could have a separate open meeting to discuss this.

Mr. Swift added that this discussion was meant to dovetail his understanding of what the 501(c)(3) piece should be, not bulldog anything in this meeting.

Ms. Romano added that she remembered a discussion during the strategic planning session about holding land and said this conversation will continue and will try to find time separately to discuss this topic.

Mr. Swift then discussed another strategic plan item, the hiring of a liaison for outreach. He explained that when a mortgage revenue bond is issued, notices are sent to all municipalities in which loans can be made. Following the giving of such a notice, he was recently contacted by the economic developer from the City of Benson to discuss AZIDA's program. He noted that he thinks the opportunities are there, it's just a matter of carving out the time, and he feels the addition of a fourth employee would allow him to pivot to do more outreach.

Mr. Swift informed the Board that AZIDA will go live with the new master servicer, The Money Source ("TMS"), on March 3, 2025. At that time, the forgiveness periods across all products will be consistent. He added that the transition to TMS has been going well.

Mr. Swift then presented a draft mission statement, another focus of last year's strategic planning session, which incorporates notes from the Board members, target items from the Governor's office, as well as geographic locations, and requested feedback from Board members. Ms. Romano read the mission statement aloud. Mr. Castillo added that someone should be able to walk in on the first day on the job at AZIDA, read the mission statement and know what is expected of them, apart from the job description, and understand the mission and help fulfill it. Ms. Romano noted the mission statement cannot be voted on today but can be presented and voted on at the next Board meeting.

Next, Mr. Swift informed the Board that the AZIDA email addresses are up for renewal. He was unsure whether Board members are using them since he communicates with Board members through both the AZIDA email address and the Board member's personal or business email address. Ms. Romano noted the AZIDA email addresses should be used, and Mr. Swift said they would be renewed.

Ms. Romano asked Mr. Swift about being mentioned in the "State of the State" address. Mr. Swift said the Arizona Is Home mortgage revenue bond is doing well, with approximately 260 closed loans. AZIDA is ready for 2025 with the funds to move forward and the blessings of the Governor's Office. The Governor likes AZIDA's continued success and gets a lot of positive feedback, especially since AZIDA's program focus is in rural Arizona. Ms. Romano added that she was invited to attend the reception following the "State of the State" address and was able to thank the Governor for supporting AZIDA and its programs.

Mr. Swift added that when AZIDA initially launched the program, it received money from the Housing Trust Fund that restricted loans to being made only to homeowners at or below 80% AMI. For the second round in 2024, AZIDA used its own funds and was able to increase the borrower pool to those earning up to 100% AMI, which expands the number of buyers that can be helped. The money being received from the Department of Housing for the 2025 round is not from the Housing Trust Fund so AZIDA can continue lending to 100% AMI homeowners, which is extremely helpful in some markets. He

explained that in the mining community of Safford, there was not a single transaction at 80% AMI, but at 100% AMI, AZIDA was able to make some loans because that is the income range in that community.

Mr. Castillo noted that with regard to the 100% AMI issue, that with some other programs folks up to 120% AMI, and 150% AMI are served, which makes a difference given what AMI is in rural areas. Mr. Castillo encouraged staff to keep data on AMI and production. In a rural environment, the AMI can be so low that the average workforce population cannot access the program. Mr. Swift agreed and added that AZIDA can make loans to up to 150% AMI homeowners on the TBA side of the house.

6. **Adoption of Minutes of the December 12, 2024 AZIDA Regular Board Meeting**

Board member **Marcel Dabdoub** moved to adopt the minutes of the December 12, 2024 AZIDA regular board meeting. Board member **David Castillo** seconded the motion.

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

7. **Call to the Public**

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

No members of the public appeared in person or by telephone to comment.

8. **Announcements**

Ms. Romano announced that the next regular meeting of the Arizona Industrial Development Authority is scheduled to be held in person on Thursday, February 20, 2025, at 3:00 p.m., but noted that people should consult the AZIDA website for any changes to meeting details.

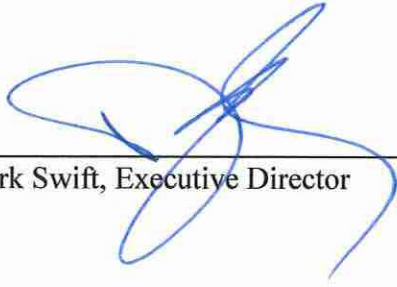
9. **Adjournment**

Board member **David Castillo** motioned for adjournment of the AZIDA Board meeting at 4:06 p.m. Board member **Marcel Dabdoub** seconded.

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

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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.



Dirk Swift, Executive Director

February 20, 2025

Date of Board Action