

**MINUTES OF
REGULAR MEETING OF THE DIRECTORS OF
THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
September 28, 2022**

The Directors of the Oklahoma Development Finance Authority held a Regular Meeting at 10:00 a.m. on Wednesday, September 28, 2022, in the Conference Room of the Oklahoma Development Finance Authority, 9220 North Kelley Avenue, Oklahoma City, Oklahoma.

The following members of the Authority were PRESENT:

Mr. Keith Ventris, Chairman
Mr. Bridger Cox, Vice Chairman
Mr. Peter Carey, Secretary
Mr. Hank Bradley, Member
Mr. D.R. Shipley, Member
Mr. Brent Kisling, Ex-Officio

The following member of the Authority was ABSENT:

Mr. Chris Condley, Member

Others attending the meeting were members of the Oklahoma Development Finance Authority staff and other guests representing firms doing business with ODFA, who are listed on the Attendance Register which is kept in the original meeting file.

ROLL CALL

Chairman Ventris called the meeting to order and requested a roll call from the Assistant Secretary, after which he declared a quorum present.

In response to a question by Chairman Ventris, it was reported that notice of the Regular Meeting of the Authority was filed in the office of the Oklahoma Secretary of State and public notice of this meeting was posted in prominent view at 9220 North Kelley Avenue, Oklahoma City, Oklahoma, twenty-four (24) hours prior to this meeting excluding Saturdays, Sundays, and legal holidays, all in compliance with the Oklahoma Open Meeting Act.

APPROVAL OF MINUTES OF THE MEETING OF AUGUST 31, 2022

Minutes of the meeting held August 31, 2022, had been sent electronically to the Board Members prior to the meeting and the reading was waived. Mr. Shipley made a motion to approve the minutes as transmitted. Mr. Carey seconded the motion. All members present voted Aye.

FINANCIAL REPORT

Mr. Davis stated that the trended balance sheet and income statements are on pages 9-10 in the board packet. This is for the second month of FY'23 compared to FY'22. The revenues were \$545,000 compared to \$280,000 last year. The expenses are down 18% at \$167,000 this year versus \$203,000 this same time last year. This results in net income of \$378,000 versus \$78,000 last year. Mr. Davis added that revenues are obviously higher with a flurry of activity and large projects closing like the utility securitizations which are driving the increase.

Chairman Ventris asked if there were any questions or comments concerning the report. Hearing none, he asked if there was a motion. Mr. Cox made a motion to approve the financial report, as presented. Mr. Shipley seconded the motion. All members present voted AYE.

NEW LOAN APPLICATIONS/PROJECTS

A. Oklahoma Development Finance Authority (ODFA) – \$4,000,000 Oklahoma Community Economic Development Pooled Finance Act Award (Dobson Fiber Project), Series 2022

Discussion and possible with respect to a resolution acknowledging receipt of a Determination Letter from the Oklahoma Department of Commerce (“ODOC Determination Letter”); implementing the financial incentive described in the ODOC Determination Letter, namely, the Oklahoma Community Economic Development Pooled Finance Act (Dobson Fiber Project), Series 2022, in an aggregate principal amount estimated at \$4,000,000 (the “Award”); approving and authorizing the execution and delivery of a Funding Agreement and other related documents; and containing additional matters relating thereto.

Before Mr. Stoner gets into the projects, he stated that on page 18 is the program summary for the Business Expansion Incentive Program. This summary shows \$62.5 million of projects that are currently outstanding, this is everything that has been approved by the Oklahoma Department of Commerce that has not yet paid off. There is \$137.5 million that is still available in the pool. This also, includes the projects that are on today’s agenda assuming the Board’s approval.

Mr. Stoner stated that he had an opportunity earlier this month to present a 3-minute commercial to the Community Bankers Association at their annual convention. In preparing for that Mr. Stoner and Mr. Davis went back and looked at the impact of this program over the last couple of years.

Mr. Stoner was surprised that the program has touched over 375 projects and/or companies. These companies added 3,000 new jobs, \$135 million in new annual payroll and they have invested \$1.2 billion in new capital into the State of Oklahoma. Mr. Stoner then publicly thanked Ms. Sunny Dobbins for her efforts on the administrative side. There is a lot of work up front to get these projects done but over the course of the next 2-3 years these projects work through, she is responsible monthly working with the Treasurer's Office, Tax Commission and her detailed administrative skill has been fantastic for the Authority. Each of the projects that are on the agenda have already been through the Department of Commerce for their net benefit evaluation. This is headed up by the research and economic team led by Jon Chiappe and Martin Roberts who is in attendance today. They do a tremendous amount of work to get to this point. This is the last step in terms of the approval process. Once it is approved by the Department of Commerce, it comes to the ODFA Board for final approval. Once the Board approves the project it then goes to Sunny to do all her work.

The first project is for \$4 million Oklahoma Community Economic Development Pooled Finance Act Award for Dobson Fiber, Series 2022. The summary for this project is on page 20. Dobson Fiber is a familiar name and been in business since 1936. Their capital investment is for \$736 million to provide fiber optic networks to many underserved communities. The communities that are on the current list of projects include Atoka, Cheyenne, Clinton, Duncan, Elk City, Enid, Eric, Guthrie, Lawton, McAlister, McCloud, Muskogee, Taloga, Vici, Waurika, and Weatherford. This is a significant amount of work that is getting ready to happen. This project will create 612 new jobs with a \$36 million new annual payroll. The net positive benefit analysis from the Oklahoma Department of Commerce resulted in a \$4 million award over the next 4 years. Mr. Stoner introduced Bonner Gonzales, Dawn Hart, and Trent LeForce from Dobson Fiber. Mr. LeForce, CFO gave a brief overview of the project.

Mr. Cox made a motion to approve the project. Mr. Shipley seconded the motion. Upon Roll Call, the vote was as follows:

AYE: Bradley, Carey, Cox, Kisling, Shipley, Ventris
NAY: NONE

B. Oklahoma Development Finance Authority (ODFA) – \$300,000 Oklahoma Community Economic Development Pooled Finance Act Award (SG Echo LLC Project), Series 2022

Discussion and possible with respect to a resolution acknowledging receipt of a Determination Letter from the Oklahoma Department of Commerce (“ODOC Determination Letter”); implementing the financial incentive described in the ODOC Determination Letter, namely, the Oklahoma Community Economic Development Pooled Finance Act (SG Echo LLC Project), Series 2022, in an aggregate principal amount estimated at \$300,000 (the “Award”); approving and authorizing the execution and delivery of a Funding Agreement and other related documents; and containing additional matters relating thereto.

Ms. Harris stated that SG Echo has applied for their Durant facility. They are a premier designer of a container-based structures. They repurpose stranded shipping containers to increase space available for residential, commercial, industrial, and retail operations. Ms. Harris added that she has toured the facility and that it is state of the art, and it is amazing the quality that goes into the containers. This project will create 46 new jobs with a new annual payroll of \$1.7 million, with a capital investment of \$5.1 million to its existing damaged manufacturing facility. The Oklahoma Department of Commerce has identified that the project is a net positive benefit to the State of Oklahoma and has issued an incentive award of \$300,000 over the next 3 years.

Mr. Davis added that this is the first time that ODFA has been involved in a transaction with this organization. However, the Oklahoma Department of Commerce, ODFA, and the Manufacturing Alliance have a history with the company. Mr. Davis stated that he and Martin Roberts have been through there at least three times. There was a company that was there that employed a lot of people and things were going well. There were external issues that created financial hardships and it came close to closing. There were about 45 jobs lost in Durant and it then changed hands a couple of times. SG Echo has come in and made tremendous investments with the grant and have expanded substantially and they have gotten back up and Mr. Davis is excited that we get a chance to do the project with them.

Mr. Shipley made a motion to approve the project. Mr. Carey seconded the motion. Upon Roll Call, the vote was as follows:

AYE: Bradley, Carey, Cox, Kisling, Shipley, Ventris
NAY: NONE

C. Oklahoma Development Finance Authority (ODFA) – \$1,000,000 Oklahoma Community Economic Development Pooled Finance Act Award (United Parcel Service Inc. (UPS) Project), Series 2022

Discussion and possible with respect to a resolution acknowledging receipt of a Determination Letter from the Oklahoma Department of Commerce (“ODOC Determination Letter”); implementing the financial incentive described in the ODOC Determination Letter, namely, the Oklahoma Community Economic Development Pooled Finance Act (United Parcel Service (UPS) Project), Series 2022, in an aggregate principal amount estimated at \$1,000,000 (the “Award”); approving and authorizing the execution and delivery of a Funding Agreement and other related documents; and containing additional matters relating thereto.

Mr. Stoner stated that this project is for \$1 million award to UPS through the Oklahoma Community Economic Development Pooled Finance Act, Series 2022. The summary is located on page 22. UPS was founded in 1907 and has operated in Oklahoma City since 1978. This is a total \$38 million capex. There is \$22 million for new construction and UPS is investing an additional \$16 million into leasehold improvements, primarily for a new conveyor system. This

project will add 10 new jobs to the existing 1,800 that are already in the OKC metro area. The total annual payroll will be \$83.7 million. The net positive benefit analysis from the Oklahoma Department of Commerce resulted in an incentive award of \$1 million. Mr. Stoner introduced Mr. Robert Engel, the project engineer. Mr. Engel then gave the Board a more in-depth overview of the project.

Mr. Cox made a motion to approve the project. Mr. Carey seconded the motion. Upon Roll Call, the vote was as follows:

AYE:	Bradley, Carey, Cox, Kisling, Shipley, Ventris
NAY:	NONE

REVIEW AND POSSIBLE APPROVAL OF TRAVEL CLAIMS

Mr. Shipley made a motion to approve the travel claims. Mr. Cox seconded the motion. All members present voted AYE.

PRESIDENT'S REPORT

Mr. Davis reported that ODFA has collected all of the June 30, 2022 semi-annual invoiced amounts and there are no outstanding receivables from that invoicing. Back in 2013 bonds were issued for Inverness Village Retirement Care facility in Tulsa. This project ran into difficulties, and they ended up in bankruptcy. Mr. Davis recalled that when he arrived at the Authorities the semi-annual admin fees were not booked until the month the invoices were sent out. This created 5 months of no to little revenue resulting in negative income and then a big spike in revenue and net income, he found it was difficult to try and manage and see the trend, so the semi-annual fees were moved to a monthly accrual basis. Mr. Davis added that surveillance is done on all the bond issues and he gets alerts when they have continuing disclosures, operation and financial reporting and any material notices. Mr. Davis has tracked a lot of material notices on Inverness Village and stated that they went into bankruptcy and have been purchased and it is still ongoing. However, all the trust accounts have been closed and all the monies have been disbursed to the bondholders. Mr. Davis added that the Authority has done a lot of work trying to collect the fees that were accrued that were never paid. Mr. Skarky was also engaged to help, but he feels at this point in time there is zero probability of collecting the fees. Mr. Davis added that this is not money that ODFA put down as principal; these are just fees. In September, Mr. Davis stated that ODFA would be writing off \$41,116.27 against these administrative fees. This is also a suitable time to do it as we will have revenue to offset this amount in the month of September. Inverness has been on non-accrual since June 2020. There is currently only one other project that we have on non-accrual and that is the Leading Life Senior Living project. Again, this is an assisted living care facility. They have been hit with low occupancy, high operating costs, cleaning and Covid related issues. They are currently operating under a forbearance agreement. The first month that they did not pay an invoice they were put on non-accrual. They have paid but they have not paid in full. There is

about \$42,300 that they have not paid in full. This is not on the books because it has not been accrued. Mr. Davis added that they have had a change in management. Mr. Davis stated that he will be reaching out to the new management and the Authority will be active in pursuing the full payment.

The September Authorities Operation Business Development report was located on pages 23 and 24. There were three additional projects today for the Business Expansion Incentive Program. Currently there are fifty active projects and \$137.5 million of the \$200 million available.

Mr. Davis then gave an update on the Oklahoma Innovation Expansion Program, Series 2022. This program had 125 awards for \$9.1 million. The Authority has disbursed \$2.45 million through September. This is 3 months into the program. The program will end June 2023. These projects are performance based and each of the companies must provide proof of 10% in capital expense before a dollar is paid out. The companies had until the end of September to meet the requirement. There have been eight companies that have withdrawn. There has been a big push with the Commerce's Rural Development Specialist, the Oklahoma Manufacturing Alliance and Manufacturing Extension Agents and our staff to reach out to the companies that have not met that threshold. Mr. Davis feels that we will see more companies fall out. The supply chain and inflation have been headwinds for these companies. Mr. Davis added that Mr. Stoner and Ms. Harris have been hands on with the companies and asked if they had anything to add. Mr. Stoner stated that in the last 2 weeks they have brought the outstanding number of about sixty down to twenty-eight companies. Mr. Stoner stated, they are just now meeting the 10%. There will be a handful of companies that will be right up against the deadline in providing the documentation.

Next Mr. Davis gave an update on the utility securitization bond financing program. OG&E, ONG and PSO have all been closed. The Authority is working on the Summit project currently, and Mr. Davis expects it to close in mid-October. There is another utility company that may utilize this program, it is called Arkansas Oklahoma Gas, (AOG). AOG's need is about \$22 million which is relatively small compared to the other projects. Mr. Davis recently found out at the end of last week that Summit, who purchased the assets of CenterPoint, is the parent of AOG. Mr. Davis added that it is hard to say whether they will come through the program or not. They have expressed interest; however, they have not filed an application. If AOG does make application, the Corporation Commission has 180 days to approve the final financing order. Mr. Davis added the timeline should move quicker since this would be the fourth project. If AOG does come through the program, we will not be done with the utility securitization until the end of next summer.

Mr. Davis added that Commissioner Anthony continues to write dissents about the program. Mr. Davis stated that his experience with dissenting opinions are when you have judicial bodies that decide and those in the minority decision will issue the dissenting opinion as to why they voted against and then that is it. However, these dissents keep coming. There have been three recent dissents and they are critical of everybody involved in these transactions. The most recent one was on September 22nd, and it was a 74-page document. Essentially, Commissioner Anthony graded all the Oklahoma entities involved in the transaction. The legislature was given a D, the Corporation Commission, Attorney General, Deputy Treasurer for Debt Management, and the

Oklahoma Development Finance Authority were all given F's, with the Supreme Court - incomplete. He calls for investigations on all entities. Mr. Davis stated that there are no investigations that are ongoing and there are no investigations of which he is aware. Mr. Davis stated that he would be happy to send the members all the information. Mr. Anthony is in his last 2-years of his term and Commission Murphy is termed out, so there will be a new commissioner in her place. In each of the cases two of the commissioners disagreed with Commissioner Anthony.

For the record Mr. Davis stated that he does not feel that this is going away, and he wants to make a statement about ODFA's role and how we got here. Mr. Davis said that he does not know that anybody involved in this transaction wants to be in this position. The facts are that there were real dollars spent and the way our current system is set up it allows for the utility companies to recapture those allowable costs at no profit to them. In February 2021, the winter storm Uri hit. The ODFA did not make the fuel purchases. The ODFA did not request or participate in utility securitization State of Oklahoma policy. Mr. Davis recalls sitting at his desk on April 12, 2021, when he was watching the press conference and they made the comment that an existing Oklahoma entity would issue the bonds and that it was the ODFA through its conduit bond issuance. One of the things that Commissioner Anthony is extremely critical of is the selection of the financial advisor. The ODFA selected the financial advisor through its normal procurement process. It was a competitive request for proposal. This procurement process was conducted in coordination with State Deputy Director of Debt Management in the Treasurer's Office. The Deputy Director of Debt Management maintains a list of all the professional service providers. The RFPs were sent to the complete list, and three firms responded. Due diligence interviews were granted to the two finalist and then the selection was made. This process was conducted prior to the Oklahoma Corporation Commission Public Utilities Division election to hire the same financial advisor. The ODFA was not a participant in the Oklahoma Corporation Commission PUD decision to hire the financial advisor that we had already hired. The ODFA did not review the application of the fuel costs captured or make any determinations on what amounts were allowed to be passed on to the ratepayers. The ODFA did not draft the final financing orders. The authority did not approve the final financing orders. The ODFA did not approve the pricing and the cost of issuance for the utility securitization bond issues. The Deputy Director of Debt Management is responsible for those approvals according to statute and law. So, the ODFA was the issuer of the utility securitization bonds that were issued because legislation identified the ODFA as an existing conduit bond issuer to issue the bonds. ODFA's role moving forward is to administer these bonds until final maturity. Mr. Davis added that at any time if something comes up or the Board has any questions, please reach out to him.

Chairman Ventris asked if he could summarize the 74-page report on Mr. Anthony's concerns. Mr. Davis responded stating that going back to when the applications for utilities were submitted. The public utility division of the Oklahoma Corporation Commission are the ones that assessed the allowable costs. Then you have intervening parties that come together and there is a hearing before the administrative law judge and at that time there was testimony provided as to what the costs would be because the legislation and the law states that if this utility securitization is to be utilized it must be shown that it is a cost savings to the rate payer. At that time, the market rates were much lower than they are today, and those estimates were provided. Mr. Davis feels that Commissioner Anthony utilizes that as a lever here. There was also an additional stand-alone lawsuit that was filed with the Oklahoma Supreme Court when we were going through validation.

The Authority had to wait until that issue was finally settled and that was in June. By the time the bonds went to market the rates were much higher causing the interest costs to be much higher than what was expected over the life of these bonds. It seems that Commissioner Anthony does not believe that this was the correct solution. Mr. Davis did not see solutions being offered but a lot of criticism on what was done. Mr. Davis added that the 3 years he spent at the Oklahoma Student Loan Authority and the nearly 13 years he has been at the ODFA he has never seen a need to hire a financial advisor, Hilltop or any other firm. They were hired in this case because utility securitization was novel to the Authorities. Not only was it novel to the Authority but it was novel to the industry. There has not been a lot of these transactions brought to market and the processes are quite different than the traditional municipal bond financings traditionally issued by the Authority. Somebody must provide testimony to the Oklahoma Corporation Commission during the utility rate cases and perform a significant analysis on large data sets from the utilities. The Authority simply does not have the number of staff to perform this analysis. Mr. Davis does not see the ODFA hiring another financial advisor in the normal course of business unless another novel issuance structure arises that warrants the need.

The Authority continues to maintain the Bondlink investor website with information portal. This is located at okutilitybonds.com. The Authority has also been wrapping up audit work with HBC, CPAs, and Advisors. The draft audit report is expected in the next two weeks and the auditors will be at the October Board meeting to deliver the audit.

Mr. Davis stated that this concluded the President's Report. Chairman Ventris made note that no formal action was taken during the President's report.

Chairman Ventris stated that he appreciates the work the employees of the Authority have done. With the number of employees the Authority has and what has been done in Chairman Ventris's time on the Board has been impressive; as well as the Oklahoma Department of Commerce under the leadership of Director Kisling. Chairman Ventris stated that he is not a government agency kind of guy, but he has been overly impressed with everything that has been done.

ADJOURNMENT

Chairman Ventris asked if there were any announcements. Hearing none, he asked if there was a motion to adjourn. Mr. Cox made a motion to adjourn. Mr. Shipley seconded the motion. All members present voted AYE.

These minutes officially approved and adoption this ____ day of _____, 2022.

Chairman

SEAL

Assistant Secretary