

**MINUTES OF
ANNUAL MEETING OF THE DIRECTORS OF
THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
July 28, 2021**

The Directors of the Oklahoma Development Finance Authority held an Annual Meeting at 10:00 a.m. on Thursday, July 28, 2021, 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. Roger Wagner, Chairman
Mr. Chris Condley, Vice Chairman
Mr. Keith Ventris, Secretary
Mr. Hank Bradley, Member
Mr. D.R. Shipley, Member

The following members of the Authority were ABSENT:

Mr. Bridger Cox, Member
Mr. Brent Kisling, Ex-Officio

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 Wagner 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 Wagner, 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 JUNE 30, 2021

Minutes of the meeting held June 30, 2021, 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. Condley seconded the motion. All members present voted Aye.

FINANCIAL REPORT

Mrs. Slifer reported that on pages 10 through 13 are the trended and budget comparisons for ODFA financials. Since August 2020 the balance sheet has been stable and over the last 11 months ODFA has held an average cash balance of \$9.1 million. The consolidated net position over the last 12 months has increased from \$8,295,000 to \$8,732,000. When you look at the June 2021 actual balance sheet to the budgeted balance sheet, the current balance sheet is in line with the budgeted balance sheet. The income statement is on page 11, at the top right is the general fund the total operating revenue from year to year is relatively flat with a 2% increase. However, the composition of that has changed a bit. The application closing fees which are a one time in nature are up over 100% going from \$104,000 in 2020 to \$213,000 in 2021. The interest income has declined from \$102,000 to \$43,000 year to year. This is due to an interest rate decline associated with the cash that is held in the OK Invest account. On a consolidated basis the year-to-year comparisons show the net income is also relatively flat, down 6% from \$467,000 to \$437,000. On page 13 is the comparison to the budget. The consolidated net income for the year was at \$437,000 and this exceeded the budget by \$71,000. The budgeted amount was for \$366,000 for the year. The consolidated operating expenses are \$79,000 less than what was budgeted. A lot of the line items that were budgeted such as travel, mileage, seminars were lower in FY 2021 due to COVID.

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

NEW LOAN APPLICATIONS/PROJECTS

A. Oklahoma Development Finance Authority (ODFA) – Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services for Bond Counsel (RFP Selection)

Discussion and possible vote on selection of Bond Counsel for the potential issuance of Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services Bond Counsel (RFP Selection)

Mr. Davis stated that back in May an RFP went out to hire a financial advisor to help ODFA through the process for the issuance of regulated and unregulated utility ratepayer backed bonds. There was legislation that was passed to address the high fuel cost of the storm in February. The idea was to find a solution that would provide ratepayer relief, rather than taking the full brunt of

the increased fuel cost over the span of six to seven months and spreading the cost over time. This would give relief to the ratepayers. There were two pieces of legislation that were enacted the first was Senate Bill 1049, the purpose of this bill was to provide financing options to unregulated utilities that are not subject to the Oklahoma Corporation Commission. It authorized the ODFA to issue utility revenue bonds to fund the needs of a pooled loan program for unregulated utility providers such as GRDA, Municipal Utility providers, Co-Ops etc. The bonds will be special obligations payable solely from revenues from ratepayers and ODFA will be a conduit issuer. This will not be an obligation of ODFA nor is it an obligation to the State of Oklahoma. The biggest piece of this transaction will be Senate Bill 1050 which will be for the regulated utilities, who are subject to the Oklahoma Corporation Commission oversight. This bill was also designed to provide rate payer relief by spreading the costs up to 30 years. Mr. Davis stated that they will not know the exact term until the financing order is received and they begin to structure the deal. These regulated utility providers include OG&E, Oklahoma Natural Gas, AEP, and Center Point. Each will make application to the Corporation Commission stating what their additional fuel costs were and they are seeking to recoup. Once the application is final the Corporation Commission has 180 days to finish their audit and render their decision on the dollar amount that will be allowed to recapture. It might be what the utility provider asks for and it might be less. After the Corporation Commission makes its determination a financing order will be issued. This will instruct ODFA the dollar size as well as the cash flow data and other critical information. As this information comes in the financial advisor and underwriter will use the information to structure the bonds, so that the revenues (which is the sole source of repaying the bonds) can debt service the bonds.

Mr. Davis stated that as of now there is only one utility provider that has completed their application. The 180-day clock runs out December 15th for this first completed application. The next process is to select the service providers for bond counsel, special counsel, disclosure counsel and underwriter. The procurement process that ODFA went through included ODFA staff, legal counsel, the State Treasurer's Office, and the financial advisor. The RFP that went out is just like all the other RFP's that have been done in the past. Mr. Davis stated that the working group was looking for the lowest and best provider. It is not necessarily the lowest cost provider, but they wanted to make sure to have competent individuals that are working with ODFA that have both depth of experience as well as recent experience. This transaction and structure are kind of a marriage between municipal finance and asset backed securities. ODFA is not the first to do this type of transaction but there has not been a lot that have been done. Mr. Davis sent out a competitive request for proposal on July 1st and the firms had until July 16th to respond. The RFPs were sent to 30 law firms for bond counsel, special and disclosure counsel services. This were 36 investment banks that received the RFP for underwriting. ODFA's financial advisor, Hilltop Securities, constructed the RFPs, and they were subject to review by ODFA staff, legal counsel, and the Deputy Director of State Debt Management in the State Treasurer's Office.

There were 3 responses received for Bond Counsel, on page 23 of the Board packet includes a detailed summary that was provided by Hilltop Securities, ODFA's financial advisor. This summary was critical in the due diligence and evaluation of the responses. The critical components for the bond counsel role were that they were Oklahoma based and familiar with the Oklahoma Statutes and make sure that all the legal language and documents are importance and subject to the Oklahoma Statutes. Regarding SB 1050 they will have to go to the State's Supreme Court to have

the transaction validated before they can move forward. This will be for the protection of everyone involved. It is critical to have someone with experience with the Supreme Court validation for these transactions. All the working team recommend that on Senate Bill 1050 the Public Finance Law Group is selected and on Senate Bill 1049 (the unregulated utilities) the Floyd Law Firm is recommended. These firms have agreed to take on this work on a contingent basis and there will have to be a bond issue before any fees are paid. These fees will be paid out of the proceeds of the bonds issue. Mr. Davis introduced David Floyd and Lynn Driver from the Floyd Law Firm and asked the Board if they had any questions. Mr. Condley asked about the time frame for the issuance. Mr. Davis was unsure until they receive the financing order from the Corporation Commission. He does not anticipate the bonds being issued until next Spring.

Mr. Davis stated that with this structure and program and the enacting language his goal and what he is marching towards is a AAA rated bond which will provide the lowest interest cost and will save the rate payers additional costs.

Mr. Mike Newman with Hilltop Securities added that he also represents the Oklahoma Corporation Commission. OG&E filed an application, and a hearing has been set for October at which time the amount to recover for rate payers will be determined as will a financing order be considered. The financing order is needed to follow-up with the bonds. The bonds will only move forward if they provide a lower cost to the rate payer, as provided by statute. The amount of money that can be recovered by the utilities is outside the responsibility of ODFA and the obligation is for the Oklahoma Corporation Commission to make. ODFA will facilitate if it is in the best interest of the rate payers if in fact as determined by legislation that the rate payer is better off through the issuance of bonds and provides a lower cost than traditionally filed by the utilities. The utilities have secured interim financing and they have large bank loans that incur interest. These bonds will only be issued if in fact and required by statute that it is in the best interest of rate payers and cheaper for rate payers.

Mr. Davis stated that this is very technical and there is a lot of moving parts, and they are big numbers but at the end of the day ODFA did not purchase the fuel and we didn't incur any of the costs we are just here to provide the lowest cost solution for the issue we are faced with. This was an unfortunate event, but the idea is to protect the Authorities and figure it out and execute well. If we can get to a solution which Mr. Davis feels we can then we are helping in the situation.

Mr. Ventris made a motion to approve the bond counsel as presented. Mr. Shipley seconded the motion. Upon Roll Call, the vote was as follows:

AYE: Bradley, Condley, Shipley, Ventris, Wagner
NAY: NONE

B. Oklahoma Development Finance Authority (ODFA) – Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services for Special Counsel (RFP Selection)

Discussion and possible vote on selection of Bond Counsel for the potential issuance of Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services for Special Counsel (RFP Selection)

Mr. Davis stated that there are three more of these agenda items and he will not go back through the process, but the same process occurred with each one of these items. When the responses were reviewed there were several items that they went back to the financial advisor and followed up with phone calls and conversations for clarification on some things. There were 5 responses received for Special Counsel. These are large nationwide firms that have been involved in these types of transactions in the past. The critical factor was experience with the utility securitization, experience with investor-owned utilities and including recent experience in these types of transactions. There was a large variety in the costs that were proposed. Some of the respondents had no experience in these types of transactions. There were also a few that had extensive experience, but the recommendation is for Senate Bill 1050 would be Norton Rose Fulbright and for Senate Bill 1049 is not applicable for special counsel. Mr. Davis added that ODFA has worked with this firm in other 501C3 transactions over the years.

Mr. Condley made a motion to approve the special counsel. Mr. Ventris seconded the motion. Upon Roll Call, the vote was as follows:

AYE: Bradley, Condley, Shipley, Ventris, Wagner
NAY: NONE

C. Oklahoma Development Finance Authority (ODFA) – Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services for Disclosure Counsel (RFP Selection)

Discussion and possible vote on selection of Bond Counsel for the potential issuance of Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services for Disclosure Counsel (RFP Selection)

Mr. Davis added that on page 24 of the Board packet is a detailed summary of the RFPs provided by Hilltop Securities. On page 25 is the summary for the Disclosure Counsel. The competitive procurement process was identical to the previous selections that were made. There were 30 firms that received the RFPs and of those 30 we received nine responses. The working team was looking for experience with utility securitization transactions. Norton Rose Fulbright made a proposal but since they are serving in the role of Special Counsel, they will not be utilized for the disclosure counsel. There were two other firms that responded that have extensive and recent experience. There was one firm that had extraordinary experience in this financing structure. For Senate Bill

1050 the working group recommends Nixon, Peabody and on Senate Bill 1049 recommends Orrick.

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

AYE: Bradley, Condley, Shipley, Ventris, Wagner
NAY: NONE

D. Oklahoma Development Finance Authority (ODFA) – Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services for Underwriter (RFP Selection)

Discussion and possible vote on selection of Bond Counsel for the potential issuance of Regulated and Unregulated Utility Ratepayer Backed Bonds – Request for Professional Services for Underwriter (RFP Selection)

Mr. Davis stated that again the same process was used through competitive procurement that he spoke about in the beginning of these transactions. The RFPs were sent out to 36 investment banking firms, of which we received 18 responses. When you talk about the size and scope that these transactions may approach up to \$4 billion compared to the much smaller Master Lease deals that are done. This is a lot of bonds to sell. There will be international interest in these bonds as well so key critical measures in evaluating investment banks is the size and ability to take down \$100 to \$200 million if a small piece of the deal doesn't get placed somewhere. Again, the experience with securitization financings as well as recent experience was needed. For Senate Bill 1050, 8 of the 18 responses we received are recommended to be in a lead manager pool and we are recommending that the other 10 banks be hired as co-managers on the regulated utility bond issues. Typically, when ODFA does competitive procurement for underwriters such as the Master lease financing team or state municipal deal you will have three or four responses and one will be chosen because of the size of the deal. In years when there has been heavy financing volume with the Master Lease, we had had co-managers. The size of this financing throughout this entire program whether its three or four issues that are done they feel that you can't have enough help to sell the bonds. This will also create some competition and some price discovery because when you have co-leads and co-managers, they will provide price views before it is taken to the market. So, there will not be just one provider that is telling you what they think they can do in the marketplace, when you want to price the bonds. They will be able to see the full range and scale, this will be great information for them before they go to the market so that they can see the full pricing scale. This will provide a lot of protection to be built in with this large group with the large amount of bonds and having more help is better than less in this case. As the transactions come in the working group we will make decisions at that time who the co-leads might be on any one of those transactions. Mr. Davis added that he has not indicated to any of the underwriters that they are going to work on this specific transaction. They will be in a pool and when the transactions come in, they will look at the totality of the transaction and the players and make the decision at that time through due diligence. For the unregulated utilities (SB 1049) the recommendation is to

utilize BOK Financial as lead manager. These bonds will likely attract more retail investors, and this is a benefit and better execution with larger investment banks. Wells Fargo and Stifel are recommended for the co-managers this will provide national and regional exposure because there may be a transaction for the unregulated that will be a significant size and will need broader distribution. The detailed summary is on page 28 of the board packet.

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

AYE: Bradley, Condley, Shipley, Ventris, Wagner
NAY: NONE

DISCUSSION AND POSSIBLE VOTE ON TRAVEL CLAIMS

Mr. Shipley made a motion to approve. Mr. Ventris seconded the motion. All members present voted AYE.

ELECTION OF OFFICERS

Mr. Shipley made a motion to nominate the following Officers:

Mr. Chris Condley, Chairman
Mr. Keith Ventris, Vice Chairman
Mr. Bridge Cox, Secretary

Mr. Bradley seconded the motion. Upon Roll Call, the vote was as follows:

AYE: Bradley, Condley, Shipley, Ventris, Wagoner
NAY: NONE

PRESIDENT'S REPORT

Mr. Davis reported that within the Business Expansion Incentive Program, ODFA is currently managing 27 existing awards with a balance outstanding of \$28.5 million. These businesses are making a sizable capital investment in the State and retaining their workforce and creating new jobs at wage levels that exceed the State average. There were new projects that closed in July of \$2.6 billion. The Bounce Back program was created in 2020 when COVID hit, and we leveraged the Business Expansion Incentive Program. Through this period an elegant solution was found to help smaller size Oklahoma companies. This program will now be an annual program to help the companies. This program was rolled out in May called the Oklahoma Innovation Expansion Program. The Department of Commerce received 137 applications and they approved award amounts ranging from \$25,000 to \$150,000 to 108 of those projects. That was a total of \$7.74

million in incentives under this program. This program will make monthly payments to these companies for 12 months. The payments will not be made until documented proof of performance and that is through documentation that they have spent 10% of capex. The companies submit the documentation to the Department of Commerce, and they determine the applicability of the capex expenses, if the threshold is met, they notify ODFA and ODFA then begins to make payments. There was \$307,000 in award payments made in the month of July. These were companies that were turning documents quickly. The 108 companies have been divided between Jeremy Stoner and Jody Harris. They both have about 54 companies, and they are working to get the legal documents, funding agreements back and are working with the companies to make sure that if they have their 10% capex that they are submitting the receipts to the Department of Commerce so they can get turned on to receive payments.

The loan that was approved in Woodward has been closed on the cotton gin project. This was a participation loan with All America Bank.

Mr. Davis reported that on June 30th there were 105 semi-annual invoices, totaling \$600,000. As of July 22nd, 87 of the invoices have been paid for \$407,000. Mr. Davis expects the semi-annual invoices to be fully collected by the August meeting.

Mr. Davis added that things are opening, and he has been able to travel some more and attend some conferences. He has been to some regional economic development events. In regards, to the new organization, Select Oklahoma, this was the combination of the Governors Economic Development Marketing Team and Oklahoma Economic Development Council. Select Oklahoma was stood up in the Spring and they have had an annual retreat in Enid for strategic planning session. Mr. Davis stated it has been great to be out in person and off the Zoom calls because sharing business intelligence and the discovery of opportunities really happen in the discussions before and after the meetings.

Mr. Davis stated that with regards to the Industrial Finance Authority side, lending for profit businesses it has been difficult to raise the Authority to the level of awareness that it needs to be with just three people going around the State. With Bounce Back and the Oklahoma Innovation Expansion Program they have put ODFA on the map and there has been so many e-mails from the companies that have been so appreciative of the awards. The companies are proud of what they do, and they are inviting him to come out and visit with them. Some of the stories are tremendous in terms of what the expansions will do for the companies and the employees and communities and the state. Mr. Davis feels excited, about the opportunities and plans to hit the road and see as many people as he can and make sure they understand all the other services that the Authorities offer and provide. He feels this may be an event that comes along one time in the history of an organization. There is a big opportunity to put down some deep roots with some good Oklahoma companies.

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

ADJOURNMENT

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

These minutes officially approved and adoption this 25th day of Aug., 2021.

Chris Condley
Chairman

SEAL

[Signature]
Assistant Secretary