



NOTICE OF TERMINATION

RE: \$198,130,000 in aggregate principal amount of those certain Tax-Exempt Revenue Bonds (Provident Oklahoma Education Resources, Inc. – Cross Village Student Housing Project) Series 2017A and \$53,550,000 Federally Taxable Revenue Bonds (Provident Oklahoma Education Resources, Inc. – Cross Village Student Housing Project) Series 2017B (the “Series 2017A Bonds” and the “Series 2017B Bonds,” jointly referred to herein as the “Bonds”)

CUSIPs: 678908Y81, 678908Y99, 678908Z23, 678908Z31, 678908Z49, 678908Z56, 678908Z64, 678908Z72, 678908Z80, 678908Z98, 678908Y40, 678908Y57, 678908Y65, 678908Y73¹

UMB Bank, N.A. serves as successor Trustee pursuant to that certain Trust Indenture dated as of March 1, 2017 (the “Indenture”) between the Oklahoma Development Finance Authority, as issuer of the Bonds (the “Issuer”), and BOKF, N. A., as prior Trustee (the “Prior Trustee”). Capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture or, if not defined in the Indenture, in the Official Statement, dated March 1, 2017 (the “OS”).

The Bonds were issued to, among other things, fund the construction of a student housing Facility on the University’s Norman, Oklahoma campus. The University was involved in negotiating the documents central to the transaction and required that certain provisions be included for its benefit.

Among other things, the University obtained a \$20,000,000 Initial Payment from the proceeds of the Bonds.

The Debt Service on the Bonds is payable from Revenues, which includes Revenues from rentals to students, as well as Revenues derived from rentals of Commercial Spaces and parking spots. The OS projected that during the 2019-2022 Fiscal Years, “Commercial Lease and Parking Income” would increase from approximately \$6.15 to approximately \$ 6.72 million, representing approximately 30% of total Revenues during each of those years. The OS explained that “[a]fter the initial lease term, the rent **shall be increased by three percent (3%) per year** effective at the beginning of the renewed lease term.”²

The OS also stated that “[t]he University **intends to rent all of the Commercial Spaces** on an annual basis.”² (emphasis added).

¹ The Trustee is not responsible for the selection or use of CUSIP numbers. They are included solely for the convenience of the Owners of the Bonds.

² Emphasis added.

On July 26, 2019, the University issued a notice (the “Termination Notice”) by which it purported to (i) renew its lease for only a small portion of the Commercial Spaces “such that the remainder of the Commercial Lease will expire on July 31, 2019,” and (iii) “terminate[] the entire Parking License, effective July 31, 2019.” A copy of the Termination Notice is attached as Exhibit A.

The Termination Notice acknowledges that the rent the University paid in the past on account of the commercial and parking spaces was above market. The Termination Notice asserts that “University cannot renew the Full Commercial Lease or the Parking License at the escalated rates currently set forth in those agreements.” The Termination Notice does not assert that the University was unaware at the time it entered into those agreements as of August 1, 2018 that the rents were above market.

In any event, these rents support Debt Service on the Bonds. By not renewing the leases the University has knowingly and willfully stopped supporting the payment of Debt Service.

In the Termination Notice, the University appears to take the position that it had no *legal* obligation to renew the leases, and that it is entitled to evaluate “its financial obligations . . . on a yearly basis,” apparently akin to a legislative appropriation process.

It is the Trustee’s view that the University’s conduct is tantamount to a failure to appropriate for an annual lease that is subject to appropriation. This conduct will likely result in Revenue from the Project not being sufficient to pay operating expenses and Debt Service on the Bonds. It is also the Trustee’s view that, putting aside any legal obligations the University may have, this intentional act is a failure by the University to perform a “moral obligation.” The Trustee expresses no view as to any potential impact the University’s actions may have on other obligations backed by the University and on any obligations of the State of Oklahoma.

ADDITIONAL INFORMATION

Certain information relevant to the Bonds is available from the Electronic Municipal Market Access Service (the “EMMA Service,” www.emma.msrb.com). The Trustee is not responsible for the maintenance or accuracy of the EMMA Service, however, and makes no representations or warranties with respect thereto.

Owners with questions regarding this notice may contact the Trustee using the following information:

Michael G. Slade, Senior Vice President
UMB Bank, National Association
120 South Sixth Street, Suite 1400
Minneapolis, MN 55402
Telephone: 612-337-7004
Email: michael.slade@umb.com

Bondholders should not rely on the Trustee as their sole source of information concerning the Bonds. As indicated above, certain materials relevant to the Bonds are posted to the EMMA Service. The Trustee makes no recommendations and gives no investment advice herein or as to the Bonds generally.

July 31, 2019

UMB BANK, NATIONAL ASSOCIATION,
as Indenture Trustee

Exhibit A
(Termination Notice)

WRITER'S DIRECT DIAL NO.
(213) 443-3635

WRITER'S EMAIL ADDRESS
mollystephens@quinnemanuel.com

July 26, 2019

VIA EMAIL AND OVERNIGHT MAIL

Provident Oklahoma Education Resources Inc.
5565 Bankers Ave
Baton Rouge, Louisiana 70808
Attention: Chief Executive Officer and Chief Legal Counsel

Re: Cross Village Development

Dear Mr. Steve Hicks and Mr. Donovan Hicks:

I am writing on behalf of the Board of Regents of the University of Oklahoma (the "University") regarding the Commercial Space Lease Agreement between the University and Provident Oklahoma Education Resources Inc. ("POER"), dated as of August 1, 2018 (the "Commercial Lease"), and the Parking Space License Agreement between the University and POER, dated as of August 1, 2018 (the "Parking License"). This letter constitutes written notice required under section 12.1 of the Commercial Lease and section 11 of the Parking License.

As you know, the Commercial Lease expires by its terms on July 31, 2019. Commercial Lease § 3.1 ("The Lease Term will end on the date specified [July 31, 2019] without notice."). The Parking License also expressly provides that it "commence[s] on August 1, 2018 . . . and end[s] on July 31, 2019," and may be terminated in whole or in part any time after July 31, 2019 with the requisite notice. Parking License §§ 1, 2. The University and POER agreed, pursuant to a letter agreement dated June 24, 2019, to adjust the requisite notice period in the Commercial Lease and Parking License. As a result of that agreement, any notice of renewal, non-renewal, or termination for the lease period commencing August 1, 2019 is timely if provided by July 26, 2019.

As a public institution, the University must ensure the money it spends benefits not only the University and its students, but also the State of Oklahoma and its taxpayers. In doing so, the University ensures its financial obligations can be evaluated on a yearly basis. With respect to Cross, the commercial and parking space leases reflect those obligations, and the March 2017 offering materials distributed to investors specify the leases are for one-year terms. Official

Statement at 21 (“The term of each Commercial Space Lease Agreement shall be for a one year lease term . . .”), 24 (“The Parking Space License Agreement will have a one year term . . .”).

The University has diligently conducted a cost-benefit analysis of the Commercial Lease and Parking License, considering the actual results from the 2018-2019 academic year and the expected needs and budget for the 2019-2020 academic year. This analysis shows little benefit to the University. For example, for the 2018-2019 academic year, the University paid over \$6.8 million to POER for the commercial and parking spaces, representing average lease rates over double the market rate for commercial space and almost ten times the market rate for parking spaces, without any corresponding benefit. Demand for the commercial retail businesses was so low that the University obtained only approximately \$40,000 in retail rental revenue, and the dining and parking spaces were not used enough to justify the lease rates. The University estimates the same limited demand for the 2019-2020 academic year, but would be required to pay almost \$7.1 million for the commercial and parking spaces under the escalating rent terms of the Commercial Lease and Parking License, if they were renewed.

Ultimately, the University cannot renew the full Commercial Lease or the Parking License at the escalated rates currently set forth in those agreements. At this point, it is clear that the leases provide little benefit to the University and that the only purpose of any future lease payments would be to subsidize the project. Although the University is supportive of Cross and wants to see it succeed, the University cannot use public funds and tuition monies to subsidize a private operation, especially given the size and continuing nature of those subsidy payments. In fact, if the University were to continue renewing the Commercial Lease and Parking License under the current terms, its payments would exceed the \$20 million it received for the 50-year lease of the Cross site to POER by the 2020-2021 academic year.

Accordingly, the University is forced to exercise the explicit contractual rights provided in the Commercial Lease and Parking License and hereby provides the following notice:

- Pursuant to section 3.1 of the Commercial, the University hereby renews for another one-year term, from August 1, 2019 to July 31, 2020, its lease for the space identified as “Faculty Apt” and “Den” in Exhibit A of the Commercial Lease and Staff Office space located in A120 – A, B, and C (OU’s Residential Life offices) on the terms and conditions set forth in the Commercial Lease. Outside of this renewal, the remainder of the Commercial Lease will expire on July 31, 2019 pursuant to its terms.
- Pursuant to section 1 of the Parking License, the University hereby terminates the entire Parking License, effective July 31, 2019.

As you know, the University has been willing, and remains willing, to negotiate leases of the un-renewed commercial space or the parking spaces at market rates. Although the University does not have a pressing need for the space, the benefits might justify the costs if the University

Letter to Provident Oklahoma Education Resources Inc.

July 26, 2019

Page 3

were paying market rates. In any event, the University invites a dialogue on POER's proposed plans for the remaining commercial space and the parking garage so that those plans may be communicated to Cross resident students and the larger community. We remain available to discuss.

Very truly yours,

A handwritten signature in black ink, appearing to read 'MS', with a long horizontal flourish extending to the right.

Molly Stephens

Cc: Louis S. Quinn, Jr., Fishman Haygood L.L.P., outside counsel for POER
Anil Gollahalli, V.P. and General Counsel, University of Oklahoma
Eric Conrad, V.P. of Operations, University of Oklahoma