

**Testimony
K. Alan Deines
12/7/2021**

Thank you, Chairman Kelly and Vice Chairman Longbine, for an opportunity to talk about a new and different financial institution.

We are here today to discuss the three questions posed by the committee, provide you with a status report on our efforts to begin operations under a final charter, and discuss proposed legislation and certain outstanding issues.

TOPICS

- The success of implementation of the TEFFI act requirements and the relationship with the OSBC/ has this interaction been productive?
- The progress on the individual requirements in the bill – how is or will Beneficent meet those requirements?
- The status of the pilot program from the participant’s perspective, office organization, and anticipated start date (e.g., distribution/ timing of – cash and other assets in the Economic Growth Zone.
- Proposed Legislation and Other issues

IMPLEMENTATION

To start, we have had a good relationship with the OSBC. As you might guess, there are cultural and language differences between traditional Banking as we know it in Kansas and the banking and trust operations of TEFFIs. Close communication is critical to make sure the differences don’t become a problem. The discussions have always been candid and the OSBC has been clear with us on what their agenda is. While we don’t always agree on a particular topic, we feel like they listen to what we have to say, and they address our questions and concerns. We have had numerous meetings in person and via video conferences to answer questions and discuss any issue either they or we might have. In mid-November, on very short notice the OSBC sent a team to Dallas to meet our Ben Team. The Commissioner stayed over an extra day to meet our directors as well. The board members appreciated Commissioner Herndon taking the time to meet them.

Regarding the TEFFI Act requirements for the issuance of a charter, we believe we have fully implemented all the requirements for the issuance of the final charter. The OSBC is currently evaluating the following items:

1. Audited Financials: We have provided a draft of those financials along with a set of the managerial financial which help explain the differences between the two. The audited financials are being held open until the final charter is issued so that Beneficent may close transactions with its first inaugural customers. The numbers on the draft will not change, only the footnotes will change reflecting the issuance of the final charter by the OSBC and the closing of Beneficent's transactions.

2. Background checks: The commissioner has asked for fingerprint checks as part of the KBI background check. The KBI relies upon the FBI for its fingerprint checks. For a variety of reasons, there is a large backlog at the FBI. Presently, the FBI is silent on how long the fingerprint checks will take. We are in discussions with the OSBC for an alternative solution. The fingerprint requirement is permissive and not required. We are hoping for a quick solution to the issue. Of note, other regulatory authorities, such as the Texas Department of Banking and the Bermuda Monetary Authority, have completed thorough and extensive background checks within the last 12 months of all Beneficent's directors and senior management without any red flags or concerns of note.

PROGRESS

The progress on the individual requirements in the bill – how is or will Beneficent meet those requirements?

So how are we doing? Section 2 of the act provides for 6 conditions to be met issue a charter:

1. Fiduciary Financial Institution is organized by at least one person.
2. The Name selected for the TEFFI is different or substantially dissimilar from any other bank, trust company or TEFFI doing business in Kansas.
3. Articles of organization contain the names, addresses, etc. of the organizers.
4. Commitment to make or cause to make a qualified investment.
5. Transactions are structured to ensure a charitable distribution.
6. TEFFI consults with the department of Commerce regarding economic growth zones.

We have completed all the requirements.

For the "Qualified Investments," the TEFFI Act requires 10,000 square feet of commercial, industrial, multiuse, or multifamily real estate in the economic growth zone. We have certainly demonstrated our commitment by taking steps to acquire the property. To date, we have made the following acquisitions:

- 105 N. Main Street (BFF Main Office) – 1,082 sq. ft.
- 108 N. Main Street (BFF Conference Center) – 1,800 sq. ft.
- 117 N. Main Street (Proposed Grocery Store) – 4,100 sq. ft.
- Ongoing negotiations with the City of Hesston to acquire a 22-acre abandoned neighborhood adjacent to the downtown area to regentrify into a multi-purpose commercial and neighborhood development which will represent more than the total square footage requirement required by the act.

Section 25 of the Act is the "Pilot Program." The pilot program is a chance for the OSBC to become familiar with Beneficient's operations as a full and final chartered TEFFI and to develop skills and processes necessary to successfully regulate the industry and for BFF to learn what it means to be regulated. We hope to have a number of visitations and discourse as we work together prior to the first examination to develop examination processes and develop the reporting necessary to insure an efficient and effective examination process.

We believe the application process is complete. We are ready to commence operations under a full and final charter and to begin transacting business.

We've learned so far, that we can operate and be regulated as a banking/trust company participant within Kansas under the rules and regulations for a TEFFI. We must avoid trying to pound a square peg into a round hole and operate as a member of Kansas' trust banking community. Communication is essential for success of the TEFFI legislation.

For the pilot program, our offices in Hesston are operational, we have met the statutory requirements for Kansas Employees, we are ready to commence operations under a full final charter prior to the December 2021 holiday break, we have clearly demonstrated our commitment to complete the qualified investments and the Economic Growth Zone economics are ready for distribution this month.

Respectfully submitted

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