

**MINUTES OF
REGULAR MEETING OF THE DIRECTORS OF
THE OKLAHOMA DEVELOPMENT FINANCE AUTHORITY
July 27, 2022**

The Directors of the Oklahoma Development Finance Authority held a Regular Meeting at 10:00 a.m. on Wednesday, July 27, 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. Chris Condley, Chairman
Mr. Bridger Cox, Secretary
Mr. Hank Bradley, Member
Mr. Peter Carey, Member
Mr. D.R. Shipley, Member
Mr. Brent Kisling, Ex-Officio

The following member of the Authority was ABSENT:

Mr. Keith Ventris, Vice Chairman

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

ROLL CALL

Chairman Condley 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 Condley, 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 29, 2022

Minutes of the meeting held June 29, 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. Cox seconded the motion. All members present voted Aye.

FINANCIAL REPORT

Mr. Davis stated that the trended balance sheet and income statements are on pages 12-13 in the board packet. On pages 14 and 15 are the actual versus projections. In regards, to the twelve months ending June 30, 2022, for FY' 22 shows revenues of \$1.3 million against expenses of \$993,000 leaving an operating net income of \$280,000. This compares negatively to the prior year FY' 21. The revenues for FY' 22 are down 12%. The expenses were slightly higher at \$1million and the operating net income shows a 36% decline. This decline was somewhat expected and had been mentioned the last several months. There are two headwinds that is driving the decrease. One was the OSU refunding bonds out of the Master Lease program into their own name and the early defeasance on the Cross Village/Provident bond issue that was on the campus of OU. Also, equaling as damaging is the general level of market interest rates.

Chairman Condley 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) – \$500,000 Oklahoma Community Economic Development Pooled Finance Act Award (ACME 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 (ACME Project), Series 2022, in an aggregate principal amount estimated at \$500,000 (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 introduced the \$500,000, Oklahoma Community Economic Development Pooled Finance Act Award for ACME Project, Series 2022. Ms. Harris then introduced Ms. Jessica Walker as one of the owners of ACME. ACME is a family-owned business specializing in engineering, testing, and manufacturing of ventilation equipment for commercial, industrial,

agricultural, horticultural and OEM markets for over 80 years. ACME is looking to create sixty-five new jobs with a new payroll of \$2.37 million. With a capital investment of \$3,539,092 at its facility for the purchase and installation of industrial machinery used in the manufacture of air handling equipment. This installation is anticipated to lead to increased efficiency and recovery of product from lumber and anticipated to reduce costs and increase profitability.

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 \$500,000.

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, Condley, Cox, Kisling, Shipley

NAY: NONE

B. Oklahoma Development Finance Authority (ODFA) – \$1,600,000 Oklahoma Community Economic Development Pooled Finance Act Award (CP Kelco 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 (CP Kelco Project), Series 2022, in an aggregate principal amount estimated at \$1,600,000 (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 introduced the \$1,600,000 Oklahoma Community Economic Development Pooled Finance Act Award for CP Kelco, Series 2022. Ms. Harris introduced Mr. Anthony Bauer, Director of Operations for CP Kelco. CP Kelco is a subsidiary of J.M. Huber, the company started in 1883. The company is a global company of 2,000 nature-based ingredient enthusiasts. The company’s products, derived from renewable, natural raw materials, include carrageenan, gellan gum, xanthan gum, and microparticulated whey protein. The company manufactures specialty hydrocolloids (which produce gels). The additives are used in food, industrial, personal care, and pharmaceutical products, everything from jam and ketchup to paint and cosmetics. Other markets include pulp and paper and oilfield drilling.

CP Kelco is looking to create ten new jobs with a new payroll of \$1,110,000. With a capital investment of \$122.4 million at its facility for the expansion and construction to increase production of gellan gum and pectin. This will fulfill industry demand for thickeners, binders, and stabilizers as well as lead to increased sales.

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 \$1,600,000.

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, Condley, Cox, Kisling, Shipley
NAY: NONE

C. Oklahoma Development Finance Authority (ODFA) – \$700,000 Oklahoma Community Economic Development Pooled Finance Act Award (Teal-Jones 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 (Teal-Jones Project), Series 2022, in an aggregate principal amount estimated at \$700,000 (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 introduced the \$700,000 Oklahoma Community Economic Development Pooled Finance Act Award for Teal-Jones Project, Series 2022. Ms. Harris introduced Ms. Joanne Battles, who then gave a brief overview of the project.

Teal Jones is the largest privately owned lumber manufacturer in British Columbia. In 2014 they came to the United States and purchased the Antlers, Oklahoma facility.

With this new project Teal Jones Lumber will create six new jobs with a new payroll of \$210,000. With a capital investment of \$6.1 million at its facility for the construction and renovation with additional structural steel, electrical and mechanical equipment will enable the reduction costs and increase profitability for the company.

The Oklahoma Department of Commerce has identified the project is a net positive benefit to the State of Oklahoma and has issued an incentive award of \$700,000.

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

AYE: Bradley, Carey, Condley, Cox, Kisling, Shipley

NAY: NONE

REVIEW AND POSSIBLE APPROVAL OF TRAVEL CLAIMS

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

ELECTION OF OFFICERS

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

Mr. Keith Ventris, Chairman
Mr. Bridge Cox, Vice Chairman
Mr. Pete Carey, Secretary

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

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

PRESIDENT'S REPORT

Mr. Davis reported the Authorities Operation Business Development report is on pages 30-31. The Business Expansion Incentive Program currently has fifty-two active projects. This program has a \$200 million capacity and every dollar that is paid back on a project is freed up for new additional projects. The terms of these projects are typically 3 years or less and we try to keep them no longer than 5 years. As of right now there is \$138 million available in the pool. On page 26 of the board packet is a list of outstanding projects.

The Authority is estimated to close 123 projects, with awards of \$9.1 million for the Oklahoma Innovation Expansion Program, Series 2022. The staff is currently working closely with the Oklahoma Department of Commerce to qualify the companies for payment. This is a pay for performance incentive. The companies must spend a minimum of 10% capital before they receive payments. There have already been several companies that have made the minimum amount and the first payments were made in July of \$525,000. The companies have until September 1st to get their 10% spend in. If they do not get their 10% in, they will fall out of the program and they will not receive any payments.

The Authority is currently working with about 175 manufacturing companies, which is amazing because he does not believe that the Authority has ever worked with this many targeted clients at one time in the history of ODFA. Certainly not in the 12 years that Mr. Davis has been with the

Authority. Concerning CP Kelco and Teal Jones that was on the agenda today. He does not believe except for bounce back that Teal Jones realized the State's ability to support capital expenditure decisions putting dollars in Oklahoma versus other states. We have seen this with a lot of other companies. The OIEP, Series 2021 has opened the eyes of many businesses to the Authorities' and state programs. It has also given the Authority an opportunity to go out and see the companies. It has been a joy to see the companies and see what these dollars are doing and all the things that are going on. Everyone of these companies say that they need to grow 25% to keep up with the current demand. The supply chains are broken, and they need to vertically integrate and close the gaps.

Mr. Davis feels that all these programs are yielding tremendous benefits for the economic development of the State of Oklahoma. The Department of Commerce has done a phenomenal job.

Mr. Kisling added that these programs that Oklahoma wants to focus on its legacy with existing companies. These 175 companies are existing companies that are wanting to grow.

Mr. Davis then gave an update on the utility ratepayer relief. The first issuance, OG&E has closed under the Senate bill 1050 utility securitization. The issue closed on July 20th; it was \$761.7 million. Fitch and S&P rated the bonds at a AAA and there was a strong demand in the market. They were over subscribed about 5.4 times. This means that they had orders for 5.4 times the number of bonds that were available. This allowed them to go back since it was a negotiated sale and tighten pricing spreads to help save interest costs for the ratepayers. There were three tranches. Tranche, A1 was approximately \$162 million with the expected final payment is 10 years out. Tranche, A2 was \$300 million piece with an expected final payment in 21 years. Tranche, A3 was another \$300 million piece that has a final expected payment in 28 years.

In August 2021, testimony was provided to the Corporation Commission as they were evaluating what fuel costs could be recouped and what it would look like under utility securitization and what the cost would be to ratepayers. Each one of the tranches, A1, A2 and A3 were benchmarked against a 5-year treasury, a 10-year treasury and a 30-year treasury. So, between the testimony and the pricing to sell the bonds, the 5-year treasury went from .78 percent to 3.135 percent. The 10-year went from 1.25 percent to 3.101 percent. The 30-year treasury went from 1.87 to 3.287. These bonds are not risk-free treasury, so they traded a spread over treasuries. The Corporation Commission and the numbers that were discussed back when the financing order was provided, we were looking at a weighted average interest rate around 2 percent. The A1 tranche was benchmarked at 5 years and the interest rate on it was 4.285 percent. The A2 was benchmarked at a 10 year was 4.851 percent and the A3 tranche was benchmarked at 30-year, and it was 5.087 percent. So, the weighted average interest rate on this deal basically doubled to 4.97 percent. This is not a function of anything that anybody did; it was a function of the way the market rates have gone through the roof. Mr. Davis stated that Commissioner Anthony did submit a dissent to the Corporation Commission regarding the difference between what was initially reported when it was estimated and when the financing order was issued. The monthly surcharge to the customers is going to be about 57% higher than what was thought to be the case, when the estimations were made. Mr. Davis added that in total it is approximately a \$300 million dollar difference in total

cost. ODFA had to receive the financing order and then the issuance of the bonds needed to be authorized by the Board. The Council of Bond Oversight then approved the bonds and then we had to start the process through the Supreme Court to validate the bonds. In addition, we also had to handle the stand-alone case that was questioning the constitutionality of the program and Senate Bill 1050. Although some of the delays couldn't be avoided, we moved as quickly as possible. To that end we are actively running with the next three issuances for the benefit of ONG, PSO and Summit as quickly as we can. This was first issuance that was done, it was novel it is something that the Authority has never done before. Now that we have all the legal documents the other transactions will move quickly. We are working to finalize these transactions to get in the market and get the bonds sold. It is likely that we will see a weighted average interest rate on the other deals that will be higher than the OG&E. The feds will also be meeting today; and Mr. Davis expects another 75-basis point increase. This will also elevate the general market rates. Mr. Davis hopes to have these transactions completed by the end of September. Mr. Davis added that he is continuing to work with Bondlink the investor/public website portal. This is okutilitybonds.com, now that transactions are going you can see the preliminary offering statement, ratings, and other information.

Mr. Davis stated that he is continuing to work with OU Med on the project that was approved last month of \$100 million issuance. This has not closed yet but they are close. The authority has also begun to work with HBC, CPA, and Advisors for the audit. Also, we have sent out semi-annual invoices for ninety issues at \$497,000. The due date for these invoices is August 1st.

Mr. Davis stated that this concluded the President's Report. Chairman Condley 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. 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