Financial Assistance Funding & Leveraging Strategies

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& Anne Burger Entrekin, Regional Managing Director, Hilltop Securities

May 15, 2018
# Funding Totals By Program

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Water Loans</td>
<td>$1.55 Billion</td>
</tr>
<tr>
<td>FAP Loans</td>
<td>$1.05 Billion</td>
</tr>
<tr>
<td>Drinking Water Loans</td>
<td>$1.23 Billion</td>
</tr>
<tr>
<td>REAP Grants</td>
<td>$60.0 Million</td>
</tr>
<tr>
<td>Emergency Grants</td>
<td>$34.2 Million</td>
</tr>
<tr>
<td>Drought Grants</td>
<td>$0.4 Million</td>
</tr>
<tr>
<td>Special Purpose Grants</td>
<td>$2.6 Million</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3.93 Billion</strong></td>
</tr>
<tr>
<td><strong>TOTAL SAVINGS</strong></td>
<td><strong>$1.3 Billion</strong></td>
</tr>
</tbody>
</table>
Emergency Grant

Pawnee County Rural Water District #5
Install Temporary Water Line

Depew Public Works Authority
Completed New Offset Well

Pawnee County Rural Water District #5
Install Temporary Water Line
Financial Assistance Program (FAP)

1986 Resolution

WICERF

2016 Resolution

BOK Financial Securities
Stifel

Centennial Law Group

BancFirst

Bond Rating

Broken Arrow Municipal Authority
Improvements to Wastewater & Water Treatment Plants
Clean Water State Revolving Fund (CWSRF)

Interest Rate – Approximately 60% of AAA market rate

Hilltop Securities
Bank of America Merrill Lynch
BOK Financial Securities
Stifel
Morgan Stanley
McCall, Parkhurst & Horton LLP
BancFirst

Mustang Improvement Authority
Upgrade Existing Wastewater Treatment Plant
Drinking Clean Water State Revolving Fund (DWSRF) – co-administered with ODEQ

Interest Rate – Approximately 70% of AAA market rate
Leveraging

- Timing
- Models

2018 DWSRF Bond Issue
• Oklahoma Water Resources Board
  – $80,055,000
  – Revolving Fund Revenue Bonds
  – Drinking Water Program
  – Series 2018 (Master Trust)

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• When to Leverage?

FUNDING = DEMAND  Direct Loan Program
FUNDING < DEMAND  Leverage Program
FUNDING > DEMAND  De-Leverage Program
Leverage Structures

CASH FLOW MODEL
- Capitalization grants to fund loans
- Interest Repayments to off-set subsidy
- Additional loans provide over-collateralization

RESERVE FUND MODEL
- Capitalization grants to fund amortizing reserve funds
- Interest earnings to off-set subsidy
- Reserve Fund provides over-collateralization

HYBRID MODEL
- Incorporates the best of both models into the structure
- Allows for each structure or a combination
- Allows Programs to pivot quickly based on the prevailing market conditions
<table>
<thead>
<tr>
<th>Role</th>
<th>Company/Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer</td>
<td>Oklahoma Water Resources Board</td>
</tr>
<tr>
<td>Financial Advisor</td>
<td>Hilltop Securities</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>Bank of America Merrill Lynch</td>
</tr>
<tr>
<td>Co-Managers</td>
<td>BOK Financial Securities, Morgan Stanley, Stifel</td>
</tr>
<tr>
<td>Bond Counsel</td>
<td>McCall, Parkhurst &amp; Horton LLP</td>
</tr>
<tr>
<td>Underwriters Counsel</td>
<td>Orrick, Herrington &amp; Sutcliffe LLP</td>
</tr>
<tr>
<td>Bond and Master Trustee</td>
<td>BancFirst</td>
</tr>
</tbody>
</table>
# Transaction Details

<table>
<thead>
<tr>
<th>Pricing Schedule</th>
<th>Price: March 13, 2018</th>
<th>Close: March 22, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratings</td>
<td>AAA/Aaa/AAA</td>
<td></td>
</tr>
<tr>
<td>Security</td>
<td>Limited and Special Revenue Obligations</td>
<td></td>
</tr>
<tr>
<td>Use of Funds</td>
<td>Proceeds will provide (1) make loans, (2) reimburse previously funded amounts, (3) finance State Match, and (4) pay costs of issuance</td>
<td></td>
</tr>
<tr>
<td>Structure</td>
<td>Cash Flow Model</td>
<td></td>
</tr>
<tr>
<td>Serials and Terms</td>
<td>Serial bonds 2020 through 2038; no term bonds</td>
<td></td>
</tr>
</tbody>
</table>
| Redemption        | Optional: April 1, 2027 @ par  
TIPRA Mandatory: May 14, 2019 and 2021 @ 102% accreted value |
### Transaction Details

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Amount</td>
<td>$80,055,000</td>
</tr>
<tr>
<td>Proceeds</td>
<td>$90,660,223</td>
</tr>
<tr>
<td>True Interest Cost</td>
<td>3.171%</td>
</tr>
<tr>
<td>All-In TIC</td>
<td>3.218%</td>
</tr>
<tr>
<td>Average Life</td>
<td>10.094 Years</td>
</tr>
<tr>
<td>Coupons</td>
<td>3.50% to 5.00%</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td></td>
</tr>
<tr>
<td>Reimbursement</td>
<td>$26,773,890</td>
</tr>
<tr>
<td>Loan Fund</td>
<td>$60,570,310</td>
</tr>
<tr>
<td>State Match</td>
<td>$2,655,800</td>
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</tbody>
</table>
• Syndicate Rules

Priority of Orders

Retail Pricing:
1. Oklahoma Individual Retail
2. Oklahoma Professional Retail
3. National Individual Retail
4. National Professional Retail

Institutional Pricing:
1. Group Net
2. Member

Retail Definition

A Retail order is defined as an order placed for the account of an individual, with a maximum of $1,000,000 per account. A "professional retail" order is defined as an order placed by a bank trust or investment advisor acting on behalf of an individual, with a maximum of $1,000,000 per account. Exceptions to this policy will be considered with OWRB, the State Bond Advisor and Hilltop Securities. For professional and out of state retail orders, the first $1,000,000 will be treated as a member order and anything in excess of $1,000,000 will be treated on a group net basis. Individual Oklahoma retail orders in excess of $1,000,000 per account upon approval of the Board, the State Bond Advisor and/or Hilltop Securities will be confirmed at the full takedown to the firm submitting the order.

Liability

BAML 60.00%
BOK 13.34%
Morgan Stanley 13.33%
Stifel 13.33%
### Spread Analysis

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Coupon</th>
<th>Yield</th>
<th>Interpolated MMD As of 3/12/18</th>
<th>Spread to MMD</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/1/2020</td>
<td>5.000%</td>
<td>1.560%</td>
<td>1.580%</td>
<td>-0.02%</td>
</tr>
<tr>
<td>4/1/2021</td>
<td>5.000%</td>
<td>1.730%</td>
<td>1.700%</td>
<td>0.03%</td>
</tr>
<tr>
<td>4/1/2022</td>
<td>5.000%</td>
<td>1.880%</td>
<td>1.870%</td>
<td>0.01%</td>
</tr>
<tr>
<td>4/1/2023</td>
<td>5.000%</td>
<td>2.040%</td>
<td>2.010%</td>
<td>0.03%</td>
</tr>
<tr>
<td>4/1/2024</td>
<td>5.000%</td>
<td>2.160%</td>
<td>2.100%</td>
<td>0.06%</td>
</tr>
<tr>
<td>4/1/2025</td>
<td>5.000%</td>
<td>2.300%</td>
<td>2.210%</td>
<td>0.09%</td>
</tr>
<tr>
<td>4/1/2026</td>
<td>5.000%</td>
<td>2.440%</td>
<td>2.330%</td>
<td>0.11%</td>
</tr>
<tr>
<td>4/1/2027</td>
<td>5.000%</td>
<td>2.520%</td>
<td>2.440%</td>
<td>0.08%</td>
</tr>
<tr>
<td>4/1/2028</td>
<td>5.000%</td>
<td>2.590%</td>
<td>2.510%</td>
<td>0.08%</td>
</tr>
<tr>
<td>4/1/2029</td>
<td>5.000%</td>
<td>2.670%</td>
<td>2.570%</td>
<td>0.10%</td>
</tr>
<tr>
<td>4/1/2030</td>
<td>5.000%</td>
<td>2.750%</td>
<td>2.630%</td>
<td>0.12%</td>
</tr>
<tr>
<td>4/1/2031</td>
<td>5.000%</td>
<td>2.810%</td>
<td>2.680%</td>
<td>0.13%</td>
</tr>
<tr>
<td>4/1/2032</td>
<td>5.000%</td>
<td>2.860%</td>
<td>2.730%</td>
<td>0.13%</td>
</tr>
<tr>
<td>4/1/2033</td>
<td>5.000%</td>
<td>2.910%</td>
<td>2.780%</td>
<td>0.13%</td>
</tr>
<tr>
<td>4/1/2034</td>
<td>3.375%</td>
<td>3.430%</td>
<td>2.830%</td>
<td>0.60%</td>
</tr>
<tr>
<td>4/1/2035</td>
<td>4.000%</td>
<td>3.350%</td>
<td>2.870%</td>
<td>0.48%</td>
</tr>
<tr>
<td>4/1/2036</td>
<td>4.000%</td>
<td>3.370%</td>
<td>2.900%</td>
<td>0.47%</td>
</tr>
<tr>
<td>4/1/2037</td>
<td>3.500%</td>
<td>3.550%</td>
<td>2.930%</td>
<td>0.62%</td>
</tr>
<tr>
<td>4/1/2037</td>
<td>4.000%</td>
<td>3.380%</td>
<td>2.930%</td>
<td>0.45%</td>
</tr>
<tr>
<td>4/1/2038</td>
<td>5.000%</td>
<td>3.100%</td>
<td>2.950%</td>
<td>0.15%</td>
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</tbody>
</table>
### Summary of Orders and Allotments

<table>
<thead>
<tr>
<th>Underwriter</th>
<th>Priority Business</th>
<th>Retail Business</th>
<th>Member Business</th>
<th>Total Business</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Order</td>
<td>Allotment</td>
<td>Order</td>
<td>Allotment</td>
<td>Order</td>
<td>Allotment</td>
<td>Order</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch</td>
<td>$101,705</td>
<td>$25,545</td>
<td>$99,640</td>
<td>$46,460</td>
<td>$1,185</td>
<td>$1,185</td>
<td>$202,530</td>
</tr>
<tr>
<td>BOK Financial Securities, Inc.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>3,475</td>
<td>250</td>
<td>3,475</td>
</tr>
<tr>
<td>Morgan Stanley &amp; Co. LLC</td>
<td>.</td>
<td>.</td>
<td>655</td>
<td>130</td>
<td>6,000</td>
<td>.</td>
<td>6,655</td>
</tr>
<tr>
<td>Stifel, Nicolaus &amp; Company, Inc.</td>
<td>275</td>
<td>275</td>
<td>1,210</td>
<td>1,080</td>
<td>10,000</td>
<td>500</td>
<td>11,485</td>
</tr>
<tr>
<td>Selling Group</td>
<td>-</td>
<td>-</td>
<td>4,815</td>
<td>4,380</td>
<td>8,000</td>
<td>250</td>
<td>12,815</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$101,980</td>
<td>$25,820</td>
<td>$106,320</td>
<td>$52,050</td>
<td>$28,660</td>
<td>$2,185</td>
<td>$236,960</td>
</tr>
</tbody>
</table>

### Orders by Type
- Retail (45%)
- Group Net (43%)
- Member (12%)

### Orders by Underwriter
- BAML (85%)
- BOK (1%)
- Morgan Stanley (3%)
- Stifel (5%)
- Selling Group (5%)

### Allotments by Underwriter
- BAML (91%)
- BOK (<1%)
- Morgan Stanley (<1%)
- Stifel (2%)
- Selling Group (5%)

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(1) BAML's allotment percent was higher than order percent as a result of the group net language.
**Investor Distribution Analysis**

- Professional Retail: 58%
- Bond Fund: 13%
- Insurance: 11%
- SMA\(^{(1)}\): 6%
- Stock: 2%
- Retail: 8%
- Broker/Dealer: 1%
- Prop/Trading: 1%

(1) SMAs are Separately Managed Accounts.
• **Summary**

  • The transaction was well received by the market
  
  • The OWRB benefitted from the Tax Reform passage that created an acceleration of transactions in December, resulting in an overall lack of supply the first quarter of the year
  
  • The spreads to MMD were tighter than comparable credits and prior OWRB transactions
  
  • Significant demand with coverage ranging from 1.0X to 6.0X, averaging 3.3X on the transaction, allowed for a re-price with lower yields from 2 to 5 basis points on 9 maturities
  
  • Retail, both individual and professional, supported the transaction at 66% of investors
  
  • As a result of the low TIC of 3.17% and conservative assumptions utilized in the capacity model, the OWRB was able to issue 50% more in proceeds, while overall debt service increased by only 35%
Future Training

FAP

CWSRF Expanded Eligibilities

Portfolio

Loans & Investments
Marketing

Customer Surveys

Focus Groups
Questions?