

**CoBank #2**  
**\$10,000,000 Note**  
**Due August 31, 2005**

- Principal amount of note is \$10,000,000.
- Interest rate is 7.76% (fixed).
- Issued in 1995.
- “Bullet” debt (no prior principal payments made).
- Debt Management Plan projects refinancing the principal to a lower interest rate and begin paying principal annually for 5 years.
- Interest rates are likely to change over the next month before this note matures.
- Cash on hand is likely to be low as it is the construction season in August.
- Current 5- year fixed rate is 5.75%. (as of 8/5/05)
- Current variable rate is 4.65%. (as of 8/5/05)
- At this point, refinancing CoBank #2 to Fixed Rate, 5- year amortizing debt looks to be a viable option.
- 60- month amortization. Monthly principal payments of \$166,666.
- Will ease cash flow “crunch” of annual principal payments.
- Quarterly interest payments (this being negotiated).
- Under this strategy CoBank #2 will be completely amortized in 2010 – one year before the 2001 Series A bullet payment is due.
- Continue evaluation as the August 31<sup>st</sup> maturity date draws closer.

- ❖ Current Situation
  - As of May 31, 2005 Chugach has \$368 million in long term debt
    - \$10 million CoBank 2 bullet payment due 8/31/2005
    - \$150 million 2001 Series A Bonds bullet payment due 3/15/2011
    - \$120 million 2002 Series B Bonds bullet payment due 3/15/2012
    - No additional debt before 2011 in current financial forecast
    - Amortizing variable debt to be paid down annually
- ❖ Options for refinancing
  - Bond Buybacks
    - Market dependent
  - Payoff debt
    - Cash required
      - Reduced capital expenditures
      - Reduced expense
      - Reduced capital credit rotations
  - Sinking fund
    - Cash required
      - Reduced capital expenditures
      - Reduced expense
      - Reduced capital credit rotations
  - Refinance with amortizing debt
    - Rollover in public market
    - CoBank
    - NRUCFC
    - Leave part of the debt in the public market - part to be financed by other lender (CoBank or NRUCFC). Amount of each tranche to be determined.
- ❖ Other Considerations
  - Demand for financing of power projects by lower 48 G&Ts is growing (up to \$20 billion required in the next ten years)
  - Rural Utilities Services (RUS) loan requests are growing
  - Supplemental lenders such as NRUCFC and CoBank will see increased demand for full and partial funding requests
  - G&Ts are not likely to refinance to public markets
  - CoBank and NRUCFC will pursue syndication of their loan portfolios to insure future capacity