

## Outline for Presentation to Chugach Board

### SEC Reporting Responsibilities and Corporate Governance

#### 1. SEC Filing Obligations

- a. Annual, Quarterly and Current Reports
- b. Source of Obligation--Section 15(d) of the Exchange Act
  - i. Under Section 15(d), obligation could terminate after one year
  - ii. Indentures for public debt require company to file reports
- c. Key Disclosure Areas for Chugach
  - i. Critical Accounting Policies
  - ii. Ratemaking process
  - iii. Management's Discussion and Analysis

#### 2. Liability

- a. Section 18 of the Exchange Act
  - i. liability for those who sign reports, subject to knowledge qualifier
  - ii. damages only to extent that purchasers of bonds in secondary market suffer loss
- b. Certification requirements for CEO and CFO
- c. Sarbanes-Oxley did not significantly increase the liability exposure of directors--however, directors will be under heightened scrutiny with respect to the supervision of management

#### 3. Corporate Governance

- a. Audit Committee--not required of Chugach--only applies to listed companies
- b. Audit requirements for listed companies--best practices to be considered by Chugach

- i. comprised solely of independent directors--all existing directors of Chugach would be considered independent
    - ii. sole authority to retain and fire independent auditors and must pre-approve engagement of independent auditor and pre-approve all non-audit services
    - iii. Establish processes to deal with complaints regarding accounting and internal controls and for confidential, anonymous employee complaints relating to accounting and internal controls
  - c. Governance Committee and Compensation Committee required of listed companies only
- 4. Processes for Certification
  - a. Internal controls--financial controls that should already be in place
  - b. Disclosure controls and procedures--new requirement
    - i. provide assurance that all required information has been collected, analyzed and communicated to management
    - ii. liability for CEO and CFO