

CoBank

Master Loan Agreement

Terms/Conditions

- **Existing Bonds**

- \$65 million

- The adoption of the MLA retires the security agreement under the 1991 Indenture of Trust

- **Line of Credit**

- \$35 million

- Expires November 1, 2002

- Subject to annual renewal

Covenants

- Affirmative Covenants
- Negative Covenants
- Financial Covenants

Affirmative Covenants

Chugach will provide:

- Annual audited financial statements within 120 days after each fiscal year
- Interim financial statements if requested
- Officer's certificate
- Notices of Litigation, default and credit rating changes
- Chugach will continue to acquire voting stock in CoBank

Negative Covenants

Distributions to members (Capital Credits):

Chugach may not distribute capital credits to its members if:

- 1) An event of default exists or
- 2) Equities and margins as of the end of the most recent fiscal quarter is less than 22% of total long-term debt and equities and margins
- 3) **However**, if no event of default exists and the ratio of equities and margins to total long-term debt and equities and margins is between 22% and 30%, Chugach may, in any fiscal year, make a distribution of up to the lesser of:
 - A) Five percent of aggregate margins and equities as of the end of the immediately preceding fiscal year or
 - B) Fifty percent of the prior fiscal year's margins
- 4) If the equity ratio is 30% or higher, there is no limitation on the amount Chugach can distribute annually

Financial Covenants

Rate Covenant:

- Yield margins for interest for each fiscal year equal to at least 1.10

Funded Debt to Operating Cash Flow Ratio:

- Yield a ratio of funded debt at the end of each fiscal year to operating cash flow for each fiscal year of not greater than 8 to 1

Equity to Total Capitalization Ratio:

- If at the end of any fiscal year, the ratio of equity to total capitalization is equal to or less than 22%, then:
 - Chugach will hire an independent consultant to recommend a course of action to improve the ratio to 25%
 - Upon CoBank approval, Chugach will implement the recommended course of action