

# NEWS



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## **SUNFLOWER COMPLETES \$213 MILLION REFINANCING**

HAYS, KS—On April 20, 2004, Sunflower completed a \$213 million refinancing of its secured debt. The project was managed by National Rural Utilities Cooperative Finance Corporation (CFC), a nationwide cooperative bank involved in Sunflower's debt financing since the construction of its Holcomb 1 generating station. The National Bank for Cooperatives (CoBank) also participated in the transaction. While refinancing this debt without penalty was a right Sunflower negotiated with the Rural Utilities Service (RUS) in its corporate restructuring of November 2002, it remained a very difficult task to accomplish.

Chris Hauck, Sunflower's President and Chief Executive Officer remarked, "We could not have accomplished this very difficult task without the continuing guidance and leadership from our Board of Directors through Chairman Charles Ayers, and support from our contacts at the RUS, our friends at CFC, Lehman Brothers, and the wholehearted support we received from Senator Roberts and Congressman Moran."

Hauck continued saying, "Executive Vice President and CEO-Designate Earl Watkins and Senior Vice President and Chief Financial Officer Sid Severson provided the essential excellent vision and leadership necessary to drive and close this amazing transaction, and were ably supported in the effort by Senior Manager of Financial Services Jayne Clarke and her creative and diligent colleagues in the Sunflower's accounting department."

CFC, the lead lender in the financing, loaned Sunflower approximately \$138 million and syndicated \$75 million of additional debt to CoBank and another investor for the 12-year transaction. This was the largest-ever syndicated debt financing arranged by CFC. The syndication was "oversubscribed," meaning that substantially more loan dollars were offered to Sunflower by lenders than were needed to close the transaction.

The interest rate was based on the four-year Treasury note and priced on the day when that rate was at a near-record low. An investment banker participating in the transaction noted that the all-in rate to Sunflower was comparable to that which would have been earned by an "investment-grade" utility borrower.

Reducing Sunflower's interest rate on the debt by approximately 4%, the difference in interest payments over the 12-year life of the refinancing will amount to approximately \$63 million. This will more than erase the slight increase in interest

payments that Sunflower accepted in its November 2003 corporate restructuring, and will help Sunflower to meet the challenge of its growing capital requirements over the life of these new loans.

Watkins said, "This transaction means that there are 63 million dollars that will stay in western Kansas over the next 13 years to help Sunflower pay for projected capital improvements that will be needed by Sunflower to maintain a high level of system reliability. This deal is about as fundamental a regional 'economic development' project as one can imagine!"

Sunflower Electric Power Corporation is a regional wholesale power supplier that owns and operates a 595 MW system of gas and coal-fired generating plants and a 1,200-mile transmission system for the needs of its six member cooperatives who serve 120,000 people spread throughout a 21,000 square mile area in western Kansas. Sunflower also provides power to regional utilities in western Kansas and in ten states.