Conference Title: FY2022 Investor Call

Date: Tuesday, August 9, 2022

Operator: Good afternoon and welcome to the National Rural Utilities Cooperative Finance Corporation Fiscal Year 2022 Investor Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Heesun Choi, Vice President, Capital Market Relations. Please go ahead.

Heesun Choi: Good afternoon. I'm Heesun Choi, Vice President of Capital Markets Relations and National Rural Utilities Cooperative Finance Corporation. Thanks for joining us on our fiscal year 2022 investor conference call. Joining our call this afternoon are Andrew Don, our chief executive officer, and Ling Wang our chief financial officer. During today's call, Andrew and Ling will review our financial highlights for the 12 months ended May 31, 2022, and also provide an update on our business and operations.

Before we begin our presentation, I want to remind you that some information provided in comments made during today's call will contain forward-looking statements within the Securities Act of 1933 as amended and the Exchange Act of 1934 as amended. All looking statements which are based on certain assumptions and describe our future plans, strategies, and expectations are generally identified by our use of words such as intend, plan, may, should, will, project, estimate, anticipate, believe, expect, continue, potential, opportunity and similar expressions, whether in the negative or affirmative. All statements about future expectations projections are forward-looking statements. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, actual results and performance may differ materially from our forward-looking statements.

Factors that could cause future results vary from our forward-looking statements about our current expectations are included in our annual and quarterly reports filed with the US Securities and Exchange Commission. All the forward-looking statements are made as of today, August nine, 2022, and we undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances, or changes in our expectations after the statements are made.

Today's discussion will also include certain non-GAAP measures. Please refer to our Form 10-K filed on August eight, 2022 with the FCC and also posted on our website for a discussion of why we believe our adjusted measures provide useful information in analyzing CFC's financial performance and the reconciliations to the most comparable GAAP measures.

We will open the call for Q&As at the end of a presentation. You can ask questions via phone or submit your questions online if you are participating in this event via webcast. We invite you to join the Q&A session to ask questions you may have.

Today the presentation slides and financial reports filed with the FCC are all available in our Investor Relations page on our website at www.nrucfc.coop. A replay and court transcripts we also made available in our Investor Relations page after this call. With that, I'll turn the call over to Andrew for his remarks.

Andrew Don: Thank you, Heesun. Good afternoon. This is Andrew Don, CEO of CFC. Thank you for joining us today. As I've commented during previous quarterly calls throughout our fiscal year, 2022, CFC has had strong financial and operational performance and has ended the fiscal year with exceptional financial results. Pleased to share with fixed income investor community for the first time in our 53-year history, our total loans outstanding surpassed 30 billion during fiscal year 2022 specifically, in the fourth quarter of fiscal year 2022. Our loans to members totaled more than $3.1 billion as of May 31, 2022, an increase of $1.6 billion or 6% from May 31, 2021. The $1.6 billion increase in loans to members was the third highest year-over-year increase since fiscal year 2001. Following the two highest year-over-year increases of $1.7 billion each fiscal year of 2016 and 2021, the increase in loans to members during fiscal year 2022 was primarily attributable to a net increase in long-term loans of $1.6 billion, as compared to a net increase in long term loans of 1.05 billion during fiscal year 2021.

As we continue to focus on electric lending, our total loans outstanding represented a market share of 28% of the total loans outstanding in the electric cooperative industry as of December 31, 2021, compared to 26% as of December 31, 2020. Based on financial data submitted to us by our distribution and power supply members, we continue to be the largest private lender to electric cooperatives. The overall quality of our loan portfolio continues to be strong and stable, with over 98% of our loans to rural electric systems that provide essential electric utility services.

Historically, we have experienced very limited charge-offs, loan defaults, loan delinquencies, and non-performing loans in our electric portfolio. We had no charge-offs during fiscal year 2022 and we've not had any charge off in our electric portfolio since 2013. From an operating performance perspective, our financial position remains strong, as shown by having consistently solid financial metrics which improve further during fiscal year 2022. Our adjusted tear was 1.3 times during fiscal year 2022, which was well above our goal of 1.1 times and represented a 6% increase from the 1.23 times level at fiscal year-end to 2021.

Our strong operating performance and adjusted net income results have caused our member equity, which is our retained earnings, to surpass $2 billion as of May 31, 2022. Our liquidity position remains healthy as we maintain diverse funding sources to minimize the risk of being dependent on any single source or market. Our diverse liquidity sources remain unchanged and consist of cash investments, committed bank lines, the guaranteed underwriter program, the farmer purchase agreement, and repo facilities.

As I mentioned during prior calls, CFC provides credit support for broadband projects that our members invest in. Many rural electric distribution cooperatives have made or are making infrastructure investments that include building fiber optic lines to improve electric grid system reliability and efficiency as fiber operations offers enhanced communication to monitor electric systems, identify outages and speed electric restoration. Some of these electric cooperatives are leveraging these fiber assets to offer access to broadband services, either directly or by partnering with local telecommunication companies and others to the communities they serve. Many of these broadband projects are also financially supported by various states and the federal government, which reduces the investment risk for CFC and our electric cooperative members.

More than 30 electric cooperatives were awarded approximately $250 million in federal funding through the Connect America Fund Phase two auction process by the Federal Communications Commission that was held in 2018. The awarded funds are being distributed over a ten-year period. More than 190 electric cooperatives, many of which are already offering or building out projects, were awarded approximately $1.6 billion through the FCC's Rural Development Opportunity Fund. Those funds will also be distributed over a ten-year period.

A state and federal governments increased funding opportunities for electric cooperatives in order to offer broadband services. We expect our member electric cooperatives to continue in their efforts to expand broadband access to unserved and underserved communities. To support our members needs, we will continue to provide credit support, which may include loans and or letters of credit to members who participate in the aforementioned FCC programs and other programs designed to increase broadband services in rural areas.

Andrew Don: Based on information available to us loans outstanding to our members related to the construction operation of broadband services increased to approximately $1.6 billion as of May 31st, 2022, from approximately $854 million as of May 31, 2021. The three states with the largest loans outstanding from CFC for broadband projects were Oklahoma, Indiana, and Arkansas as of May 31, 2022, and broadband loans outstanding for these states totaled $205, $191 million and $155 million, respectively, as of May 31, 2022.

In addition to our members investment in broadband projects, we have also observed that many electric power system and electric distribution cooperatives are increasingly focused on efforts to identify potential opportunities to increase investments in renewable power supply and storage. This includes both on-balance sheet construction, renewable generation, and off-balance sheet acquisition of renewable power through power purchase agreements. According to the National Rural Electric Cooperative Association, also known as NRECA, electric cooperatives have more than tripled their renewable capacity from 3.9 gigawatts to more than 13 gigawatts from 2010 to 2021, including adding 1.4 gigawatts of renewable capacity in 2021 alone.

Before I turn the call over to Ling, I'd like to make a few comments on recent developments that our electric cooperative members are currently experiencing. Inflation, which has been very modest for many years, has become a significant concern over the past year across the electric cooperative industry, many rural electric cooperatives are experiencing increasing cost in power supply, labor, and materials. Power supply costs for many cooperatives has become increasingly volatile based on natural gas and coal market pricing. According to the economic news release from US Bureau of Labor Statistics, published on July 13, 2022, the index for natural gas increased 38.4% over the last 12 months, the largest such increase since the period ending October 2005.

In addition to increasing material costs, supply chain disruptions have extended delivery times for utility hardware and are causing project timelines to be extended as well. Labor costs and competition for employees has increased for some cooperatives due to the labor shortages. Despite the aforementioned macroeconomic background, we believe that to date, our electric cooperative members have been navigating these challenges successfully, as evidenced by their historical financial performances throughout various economic cycles.

Our electric utility cooperative members operate in a sector identified by the US government as one of the 16 critical infrastructure sectors because the nature of the services provided in these sectors is considered essential and vital in supporting and maintaining the overall functioning of the US economy. Rural Electric Cooperatives are an integral part of the US electric utility system, a subsector of the energy sector.

Historically, the utility sector in which our electric cooperative members operate has been resilient in periods of economic downturns. CFC recently published our annual preliminary key ratio trend analysis results for 812 electric distribution cooperatives for the year ending December 31, 2021. Based on the preliminary key ratio trend analysis results, our members have shown resiliency and produced strong financial performance times, interest earned ratio and equity as a percent of assets continue to trend upward in 2021.

In 2021, TIER rose from 2.8 times to 2.95 times, while equity as a percentage of assets also trended higher to 45.97%, compared with 45.8% in 2020. Both accounts receivable over 60 days in write-offs declined to pre-pandemic levels. In 2021, accounts receivable fell 0.9% of operating revenue from 0.13% in 2020, and write-offs fell 0.7% of revenue from 0.08% in 2020. The total utility planned investment also sustained its four-year growth trend, increasing by 3.95% in 2021, from 3.79% in 2020. Consumer growth exceeded 1%, the highest in more than a decade, with nearly 93% of cooperatives showing increases, including notable pockets of greater than 2% consumer growth in Arizona, California, Idaho, Nevada, and Utah. We believe that our members financial condition will continue to be stable and healthy. With that, I would now like to turn the call over to Ling, who will review our financial results in more detail. Thank you.

Ling Wang: Hi. Good afternoon. This is Ling Wang, the CFO at CFC and I'm going to move on to slide nine and review our fiscal year 2022 results. Our total assets at fiscal year ended May 31, 2022, were approximately $31.3 billion, an increase of $1.6 billion or 5% from the fiscal year end of 2021. The increase in our total assets during the fiscal year of 2022 was primarily driven by an increase in loans to members, with nearly half of the loan growth occurring during the fourth quarter of fiscal year 2022.

As Andrew mentioned earlier, our loans to members reached the $30 billion mark totaling approximately $30.1 billion as of May 31, 2022, an increase of $1.6 billion or nearly 6% from May 31, 2021. The increase was primarily mainly attributable to an increase in CFC distribution loans of $1.8 billion, partially offset by a decrease in CFC power supply loans of 253 million. We continue to experience strong loan demand from our members. Our long-term loan advances during fiscal year 2022 totaled nearly $3.4 billion, with approximately $2.7 billion or 80% of those advances made for capital expenditure purposes and $593 million or 18% of operating expenses attributable to the elevated power costs obligations that our members incurred during the winter storm URI. In comparison, during fiscal year 2021, our long-term loan advances totaled $2.5 billion, consisting of $2.2 billion or 86% of capital expenditures and $201 million or 8% for the refinancing of loans made by other lenders. Of the $3.4 billion total long-term loan advances during fiscal year 2022, $2.9 billion or 86% were fixed rate loan advances with a weighted average fixed rate term of 23 years.

Our members equity which excludes cumulative derivative for value against and accumulated other comprehensive income increased by $184 million or 10% from $1.8 billion to 2 billion as a result of an adjusted net income of $241 million for the year ended May 31, 2022, which was offset by CFC Board of Directors authorization in July 2021 to retire patronage capital of $58 million. Our adjusted equity ratio was 6.24 to 1 at May 31, 2022 and increased from 6.15 to 1 at May 31, 2021 primarily due to increased borrowings to fund growth in our loan portfolio.

In July 2022, subsequent to our May 31, 2022 fiscal year-end, CFC Board of Directors authorized the retirement of patronage capital of $59 million. We expect to return this amount to our members in cash in the second quarter of fiscal year 2023. While our goal is to maintain an adjusted debt to equity ratio of approximately six to one, we expect that our adjusted debt to equity ratio will remain near the current level due to anticipated loan growth. We currently expect approximately $1.2 billion in net long term loan growth over the next 12 months following May 31, 2022.

Ling Wang: During fiscal year 2022, CFC generated and adjusted net income of $241 million and adjusted TIER of 1.3 times. Compared with adjusted net income of $192 million and adjusted TIER of 1.23 times for fiscal year 2021. The $49 million increase in adjusted net income for fiscal year 2022 was primarily driven by the combined impact of a favorable shift in our provision for credit losses of $47 million and the increasing adjusted net interest income of $35 million, partially offset by an unfavorable shift in gains and losses of $32 million recorded on our investment securities, mainly due to period market fluctuation in fair value.

The $35 million or 12% increase in adjusted net interest income to $334 million for fiscal year 2022 was driven by an increase in the adjusted net interest yield of six basis points or 6% to 112 basis points, and the increasing average interest-earning assets of $1.6 billion or 6% due to the growth in average loans outstanding. The increase in the adjusted net interest yield reflected the favorable impact of a reduction in our adjusted average cost of fund of 20 basis points to 2.89%, partially offset by a decreasing average on our interest-earning assets of 13 basis points to 3.82%. Although we expect a slight increase in our adjusted net interest income for the next 12 months, we currently anticipate a decrease in our adjusted net interest yield due to a forecasted flat or inverted yield curve and a decrease in adjusted net income and adjusted year.

The overall composition of our loan portfolio and May 31, 2022, remained similar to the composition at May 31, 2021, with $29.6 billion or 98% of our portfolio consisting of loans to rural electric systems and $468 million or 2% to the telecommunications sector. Fixed-rate loans were 90% of total loan long-term loans outstanding as of May 31, 2022, unchanged from the May 31, 2021 level. We typically lend to our members on the senior secure basis, with 93% of our loans being senior secured as of May 31, 2022, unchanged from the level as of May 31, 2021.

We generally offer long-term amortized loans to our members for up to 35 years. The average remaining maturity of our long-term loans, which accounted for 92% of total loans outstanding as of May 31, 2022, was 18 years. CFC long-term fixed rate loans that repriced during fiscal year 2022 totaled $379 million of this total, $361 million or 95% was retained, and the remaining amount or $80 million or 5% was repaid. The average annual retention rate, calculated based on the election made by our borrower at the repricing date, was 97% for loans that repriced during each of the previous three fiscal years.

We serve our geographically diverse group of electric and telecommunication borrowers throughout the US. The consolidated number of borrowers with loans outstanding totaled 883 as of May 31, 2022. Our borrowers are located in 49 states and the District of Columbia. Given the prolonged low-interest rate environment over the past several years, many of our members have locked in at or near historic low-interest rate on their long-term loans for extended terms. As a result, the amount of long-term fixed rate loans that repriced during each fiscal year over the last five fiscal years have gradually declined, specifically from $987 million in fiscal year 2017 to $379 million in fiscal year 2022. At May 31, 2022, our long-term fixed rate loans scheduled to reprice over the next 12 months totaled $338 million. Our long-term fixed rate loans scheduled to reprice over the next five fiscal years through May 2027, totaled approximately $1.6 billion, representing only 5% of our total loans outstanding.

On December 31, 2021, one week and two month LIBOR ceased publication. In addition, all remaining US dollar liable tenders will cease to be published or lose its representativeness immediately after June 30 of 2023. As of May 31, 2022, our balance sheet exposure to LIBOR Index a financial instrument with a contractual maturity date after June 30, 2023, totaled approximately $2.1 billion, comprising of $402 million in loans to members, $62 million in investment securities, and $1.6 billion in debt obligations.

In addition, as of May 31, 2022, we have outstanding LIBOR index interest rate swaps with the aggregate notional amount of $7.2 billion and a total of $2.7 billion in advanced loan commitments that have a contractual maturity date after June 30 of 2023. We discontinued originating new level index loan effective December 31, 2021, and we have also confirmed our adherence to the International Swaps and Derivatives Association's 2020 LIBOR fallback protocol for our derivative instruments.

During fiscal year 2022, we did not have any loan charge-offs. We had loans to three borrowers totaling $228 million or 0.76% of total loans outstanding classified as non-performing at May 31, 2022. In comparison, we had loans to four borrowers totaling $237 million or 0.84% of total loans outstanding classified as nonperforming at May 31, 2021. The $9 million decrease in non-performing loans during the fiscal year 2022 was attributable to a four payment of two non-performing telecom education loans totaling $9 million and the continual payment of an existing non-performing power supply loan of $29 million, partially offset by the classification of $28 million loans to Brazos Sandy Creek as a non-performing following its bankruptcy filing in March 2022.

Our allowance for credit losses decreased by $18 million or 21% to $68 million at May 31st 2022 from $86 million as of May 31, 2021, reflecting decreases in the collective and asset-specific allowance of $14 million and $4 million respectively. The decrease in the collective allowance was attributable to an improvement in Raeburn Country Electric Cooperatives' credit risk profile following its successful completion of the securitization transaction in February 2022 and the subsequent payment in full of its obligation to ERCOT and a significant reduction in our loans outstanding to Raeburn due to payments received in fiscal year 2022.

The $4 million decrease in asset-specific allowance was primarily attributable to a combination of the elimination of an asset-specific allowance from the full payoff of the $9 million non-performing telecom and vacation loans and the decrease of an asset-specific allowance for a non-performing

CFC power supply borrower due to loan payments received on this law, partially offset by the addition of an asset specific reserve for Brazos Sandy Creek, as a result of its bankruptcy filing.

Our allowance coverage ratio was at 22 basis points at May 31, 2022, compared with 30 basis points as of May 31, 2021. We believe our exposure to the significant adverse financial impact on some of our electric utilities from the surge in wholesale power costs in Texas during February 2021 Winter storm URI is limited to loans outstanding to Brazos and its wholly owned subsidiary, Brazo Sandy Creek.

Our total debt outstanding was $28.7 billion as of May 31, 2022, an increase of $1.3 billion or 5% from May 31, 2021, primarily to fund the growth in our loan portfolio. We continue to maintain diverse funding sources, including funding from our members, as well as capital markets and non-capital markets, funding to minimize the risk of being dependent on any single source or market.

Ling Wang: As of May 31st, 2022, $5.4 billion of CFC funding came from our members in the form of short term and long-term investments and an increase of $467 million from $4.97 billion and May 31, 2021. Our member investments represent 19% of our total debt outstanding at May 31, 2022, compared with 18% at May 31, 2021.

At May 31, 2022, our funding under the Guarantee Underwriter Program and Notes payable totalled $9.2 billion or 32% of our total debt outstanding, a decrease of $47 million from May 31, 2021 due to a net decrease of $164 million in borrowings under the Guarantee Underwriter program, partially offset by a net increase of $117 million in borrowings under former make no purchase program.

Our capital markets-related funding sources total $14.1 billion in May 31, 2022, an increase of $905 million from May 31, 2021. The increase was primarily due to a net increase of $1.3 billion in dealer medium-term outstanding and a net increase of $130 million in dealer commercial paper, partially offset by a net decrease of $343 million in collateral trust fund and a decrease of $200 million outstanding under our repo facilities.

The other commercial paper outstanding was $1 billion at May 31, 2022, and we intend to maintain dealer commercial paper balance each quarter and we're seeing a range of $1 to $1.5 billion going forward. At May 31, 2022 capital markets-related funding sources accounted for 49% of our total funding, compared with 48% in May 31, 2021. At May 31, 2022, 56% of our total debt was secured and 44% was unsecured, compared with 61% and 39% from May 31, 2021, respectively.

The increase in the unsecured debt outstanding was primarily due to our issuances of unsecured dealer medium-term loans totaling $2.2 billion into fiscal year 2022. Our short-term borrowings increased by $399 million to $5 billion, accounting for 17% of our total debt outstanding at May 31, 2022, compared with $4.6 billion or 17% of total outstanding at May 31, 2021.

The increase in our short-term borrowings was primarily due to an increase in dealer, commercial paper, and short-term member investment, partially offset by a decrease in borrowing under our repo facilities, a total of $4 billion or 79% of our short-term borrowings came from our members short term investment at May 31, 2022, compared with $3.5 billion or 76% on May 31, 2021. The weighted average cost of our outstanding short-term borrowings increased to 97 basis points as of May 31, 2022, from 22 basis points as of May 31, 2021.

The weighted average maturity of our short-term borrowings increased to 42 days as of May 31, 2022, from 38 days from May 31, 2021. As we have consistently stated the investments from our members are a very reliable funding source with little reinvestment risk as our members continue to invest a large portion of their access funds with CFC.

Over the last 12 fiscal quarter end, our member short-term investments have averaged $3.6 billion. This slide represents CFC's long-term debt maturities and monetization over the next 12 months from August 2022. Our upcoming debt maturities and amortization consists of $355 million in collateral trust bond, $675 million in dealer medium-term notes, $104 million in retail median terminals, and $395 million in Farmer Mac notes, payable and $175 million in guarantee underwriter program.

During fiscal year 2022, we issued $2.65 billion of debt in capital markets, including a $500,000,000 ten-year collateral trust bond, a total of $1.4 billion fixed rate medium-term notes, and a total of 700 million SOFR-based variable rate dealer medium-term notes. We also borrowed a total of $720 million under the Farmer Mac purchase agreement and $450 million with a 30-year amortizing structure under the Guarantee Underwriter Program during the fiscal year.

Excluding our member median terminal maturities of $468 million, which have traditionally been reinvested with us. We have approximately $1.7 billion of refinancing needs over the next 12 months to fund the upcoming maturities from August 2022 to July 2023. We plan to look to utilize both capital markets and non-capital markets funding sources to refinance upcoming maturities in due course.

This slide shows the various sources of liquidity that CFC had in place at May 31, 2022, to our available liquidity from various sources included cash and investments, committed bank lines, Guarantee Underwriter Program, and Farmer Mac revolving note purchase agreement totaling $6.8 billion at May 31, 2022.

In addition, we expect to receive $1.5 billion from our members for scheduled repayment and amortization on their long-term loans over the next 12 months. As indicated on slide 15, excluding our member short-term debt maturities, we had approximately $2.9 billion of debt maturities over the next 12 months as of May 31, 2022. The $2.9 billion debt maturities consist of commercial paper outstanding of $1 billion and long-term and subordinated debt obligation of $1.9 billion. At May 31, 2022, short-term investment from our members total $4 billion representing 79% of total short-term borrowings. Because our members have traditionally rolled over a large portion of their short-term investment with us at maturity, we consider our member investments to be a very stable and reliable source of funding for CFC.

If we were to exclude the $4 billion debt maturity related to our member short-term investments, we will have a total liquidity equal to 2.3 times or 3.9 billion of liquidity in excess of our debt maturities during the next 12 months subsequent to May 31, 2022.

Also on June 15, 2022, after our fiscal year-end, we amended the revolving note purchase agreement with Farmer Mac to increase the maximum amount of borrowing availability from $5.5 billion to $6 billion and extended the draw period from June 30, 2026, to June 30, 2027. This amendment provides an additional $500 million available liquidity.

This slide represents CFC's projected long-term debt issuance needs over the next 18 months subsequent to May 31, 2022. Our cash needs are derived from two primary areas refinancing existing debt maturities and funding loan growth, partially offset by the amortization and repayments of loans from our members. We expect our net loan growth over the next 18-month period to be approximately $1.6 billion. As indicated in the last column, our expected long term debt issuance over this period are approximately $3.9 billion, mainly to refinance existing long-term and subordinated debt maturities of $3.8 billion.

Also note that other sources and uses of cash column in the middle of the slide reflect net increases or decreases to our dealer commercial paper and other short-term debt outstanding, and purchase and maturity of investments. To meet our funding needs, we will continue to look to balance capital markets and non-capital markets, secure and non-secure financing while always look to access the most attractive cost of funds for our member borrowers.

To conclude our call, I'd like to leave you with a few key takeaways when you consider CFC as an investment opportunity. These items are areas the CFC is consistently focused on and represent key credit strengths when viewing CFC as an investment. CFC credit ratings from Fitch, Moody's, and S&P remained strong and stable at A+, A1, and A-minus on a senior secure basis, and A2 and A-minus on the senior unsecured basis, respectively.

The overall quality of our loan portfolios continue to be strong, with 98% of our loans to rural electric systems and 93% of our loans being on a senior secure basis. We have not had any charge-offs in any of our loan portfolios since fiscal year 2017. CFC continues to receive strong support from our members, both in terms of new lending business and as a valuable funding source. Over the last three fiscal years, our member investments have averaged $5.2 billion. Our members equity has grown by 45% to $2 billion from $1.4 billion at May 31, 2017, we are committed to grow our equity through retained earnings.

We continue to maintain diverse funding sources and demonstrate a healthy liquidity profile. Our funding sources are very well established and have remained stable. Thank you once again for joining us today to review our results for our fiscal year ended May 31, 2022. We appreciate your interest in CFC and look forward to discussing our financial performance and funding plans in the future. I'd like to ask the operator to open the line for questions and also suggest that you can submit your questions via the web service so that we may respond to those as well. Thank you.

Operator: Thank you. If you would like to ask a question over the phone, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach your equipment. Again, press star one to ask a question and we'll pause for just a moment to allow everyone an opportunity to signal for questions. We'll take our first question from Raymond Liang. Please go ahead.

Raymond Linag: Hey, Andrew. Hi, Ling. How are you?

Andrew Don: Good. How are you?

Ling Wang: Hi.

Raymond Linag: Good. Two questions. One, can you talk a little bit about the broadband strategy and how large do you think it can get to or is there an ideal size you may want to limit it to? Then any update on the Brazos and what to look out for as part of the bankruptcy proceedings and what key events or dates to look out for? Thank you.

Andrew Don: Sure. On the broadband, we disclosed how much we have lent to date and obviously, there was significant growth in that lending and investment by cooperatives over the last 12 months. As I said, we're tracking about 187 different projects that cooperatives are doing that we're aware of, that we get information from them is said to date we're funding about 60%. 187 is the total universe of co-ops that are investing in broadband, we're funding about 60% of those so it's about 112 or so.

In terms of the total investment, if all of those get built out it equate to about -- it's about $9 billion in total if all 187 get built as planned and that doesn't mean we're going to fund all of it, obviously, because we're not funding all of them, number one. Number two, they are eligible for funding from the various federal and state programs, but that just gives you maybe a little more background on what I'll call the total that we're aware of at the current time. I think there are there's opportunity for some additional broadband investment by cooperatives, obviously, there have been some early movers that have made the investment because they're either had a lot of requests for it by being their communities being underserved, but we are still seeing some projects that haven't started yet where there again, there's an interest. But that's what we're seeing. If you think about it, it's about 25% of the total population of cops that have invested in them. Again, it really depends on what's going on in that state, whether there's service from other broadband providers, other Internet providers and you can again, we detail the three largest As for Brazos, I'll let Ling respond to that one.

Ling Wang: Sure. Hi, Ray. Brazos, they intend to file a reorganization plan on September one, so for the mediation they were in, they have come to an agreement with ERCOT and other parties on the amount owed, but having said that, they have not come to an agreement with the unsecured creditors. The unsecured creditor committee continues to negotiate the claim amount. That's where Brazo is. I think Brazos has publicly stated that they will do a securitization once they file for the reorganization plan. Brazos Cindy Creek, I think the trustee and no holders are in mediation with Brazos on the rejections of damage claim on the PPA. So if there's no agreement, there will be a trial for the PPA that's set for September six, so a month from now, we should have more clarity.

Raymond Linag: Okay. Great. Thank you very much.

Operator: As a reminder if star one to ask a question. It appears there are no additional phone questions at this time.

Ling Wang: Okay. Great. We look forward. Please feel free to contact me or contact Heesun Choi, if you have any additional follow-up questions and we look forward to speaking with you in the near future. Thank you.

Andrew Don: Thank you.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.