

Minutes of the Board of Directors of the  
Sulphur Springs Valley Electric Cooperative, Inc.

March 23, 2016

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, March 23, 2016 in the SSVEC Benson Operations Boardroom, 1557 Cooperative Way, Benson, Arizona.

President English called the meeting to order at 9:17 a.m. Members arriving at any time during the meeting would be recognized. The following directors were present:

*CALL TO ORDER*

District

1 - Kathy Thatcher – Secretary	8 - Don Kyte
2 - Curtis Nolan	9 - Lex Herron
3 - Pat English - President	10 - David Luna
4 - Tom Goodman	11 - Ed Molina – Vice President
6 - Dan Barrera - Treasurer	13 - Gene Manning

All directors were present. Creden W. Huber, Chief Executive Officer, Chris Hitchcock, General Counsel, and the following SSVEC employees were also present: Jack Blair, Kirby Chapman, Daniel Wilson, Ricardo Garcia, Orson Garnsey and Char Bennett. Also present were Director District 10 candidate Gary Payne and Sierra Vista member Steve Scheumann.

President English announced there was a quorum.

Ms. Thatcher gave the invocation and led the Pledge of Allegiance.

The agenda for this March 23, 2016 meeting was presented.

*APPROVAL OF  
AGENDA*

Mr. Barrera made a motion to approve the agenda as presented. The motion was seconded and carried.

The minutes of the regular meeting held February 24, 2016 were presented.

*APPROVAL OF  
MINUTES*

A typographical correction was requested.

Mr. Nolan made a motion to approve the minutes as corrected. Mr. Herron seconded the motion, which carried.

The agenda for the April 21, 2016 special meeting was presented.

A motion was made, seconded and carried to approve the agenda as presented.

The agenda for the April 21, 2016 regular meeting was presented.

Mr. Barrera made a motion to approve the agenda as presented. Mr. Kyte seconded the motion, which carried.

Under the Call to Members, Mr. Payne introduced himself.

*CALL TO  
MEMBERS*

Mr. Scheumann summarized a letter he previously sent to Mr. Manning. An e-mailed version was made available. He discussed proposed changes to SSVEC's distributed generation (DG) rate and asked the Board to consider adjusting the proposed power rate for DG members.

Under the Call to Directors, Mr. Manring led discussion on incessant e-mails and phone calls he has received regarding solar leases. Other directors noted the same.

*Call to  
Directors*

District 8 candidate/director-elect Peter Gillespie joined the meeting and introduced himself.

The Executive Committee discussed the board meeting agenda.

*GOVERNANCE  
COMMITTEE  
REPORTS  
Executive  
Committee*

The updated 2016 SSVEC meetings calendar was included in the board report.

The Policy Committee presented Policies E-24, Rehabilitative Duty; E-25, Sexual and Other Harassment; and E-26, Drug and Alcohol Testing - CDL, which were included in the board report.

*Policy  
Committee*

Mr. Molina recommended additional corrections to Policy E-24.

*Policies E-24 &  
E-26  
Readopted*

After full discussion and with the Committee's recommendation, Mr. Molina made a motion to approve Policy E-24 as further amended. The motion carried.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy E-25 as presented.

Mr. Nolan led discussion on various scenarios and responsibilities. After further discussion, Board consensus was to return Policy E-25 for Committee review.

An additional correction to Policy E-26 was recommended.

With the Committee's recommendation, Mr. Molina made a motion to approve Policy E-26 as further amended. The motion carried, with Mr. Herron voting no.

The approved policies are attached to and made a part of these minutes.

The Committee reviewed Policies B-1, Cash Management Program; C-3, Availability of Board Agendas, Minutes and Other Reports & Information; E-27, Employee Drivers Policy; and E-28, Employee Class Assignment, and will present them for Board consideration in April.

Mr. Barrera noted that the Finance Committee had reviewed and accepted proposed changes to Policy B-1.

The Finance Committee presented the year-end 2015 Form 7, which was included in the board report.

*Finance  
Committee*

With the Committee's recommendation, Mr. Barrera made a motion to accept the year-end 2015 Form 7 as presented. The motion carried.

The Committee presented the January 2016 Form 7, which was included in the board report.

With the Committee's recommendation, Mr. Barrera made a motion to accept the January 2016 Form 7 as presented. The motion carried.

The Committee reviewed vouchers presented by directors and the CEO.

With the Committee's recommendation, Mr. Barrera made a motion to accept the vouchers. The motion carried.

Mr. Barrera referred to an executive summary, proposed resolution and documents regarding CFC and CoBank loan agreements and the CoBank line of credit.

*Loan  
Agreements*

Mr. Chapman reviewed the agreements including an amendment to SSVEC's existing joint construction work plan loan with CFC and CoBank, loan repricing, and the CoBank line of credit.

After full discussion and with the Committee's recommendation, Mr. Barrera made a motion to accept the executive summary and adopt Resolution 2016-02. The motion carried.

**WHEREAS**, Sulphur Springs Valley Electric Cooperative, Inc., an Arizona corporation (the "Corporation"), has entered into certain loan transactions, as further described below (the "Existing Loans"), with each of National Rural Utilities Cooperative Finance Corporation ("CFC") and CoBank, ACB ("CoBank" and together with CFC, the "Lenders");

*Resolution  
2016-02*

**WHEREAS**, the management of the Corporation has determined that it would in the interests of the Corporation to enter into amendments to the terms of certain of the Existing Loans and to enter into certain new loan transactions with each of the Lenders, in each case as further described below (each such amendment and each such new loan transaction, collectively, the "Transactions");

(1) Amending CFC Loan No. AZ014-V-9052 to extend expiration of the draw period for advances thereunder from December 31, 2016 to December 31, 2020;

(2) Entering into a multiple advance secured term loan facility with CFC in an aggregate principal amount of up to \$30,000,000 and a final maturity not later than 35 years after the date of the final advance made thereunder, with the Corporation's obligation to repay such loan evidenced by a promissory note payable to CFC (as such note may be amended and/or amended and restated from time to time, the "CFC Note") that will be secured pursuant to the Corporation's Indenture of Mortgage, Security Agreement and Financing Statement, dated as of July 11, 2014, with U.S. Bank National Association, as Trustee (as the same may be supplemented or amended from time to time, including by the Supplemental Indenture (defined below), the "Indenture");

(3) Amending CoBank Loan No. RX0850T1 (Multiple Advance Term Loan/Construction Work Plans) to extend the expiration of the draw period for advances thereunder from December 31, 2016 to December 31, 2020, together with other amendments thereto determined necessary or advisable by an Authorized Officer (as defined below);

(4) Amending CoBank Loan No. RX0850T2 (Multiple Advance Term Loan/CFC Refinance) to, among other things, (i) increase the aggregate principal amount of the loan made thereunder by up to \$16,000,000 (with such increase, the loan commitment amount thereunder would be up to \$139,900,000), (ii) extend the term of CoBank's commitment thereunder through a date not later than April 30, 2019, and (iii) extend the final maturity thereof through a date not later than December 31, 2045, together with the issuance of an amended and restated promissory note payable to CoBank, which will be secured pursuant to the Indenture, evidencing the Corporation's obligation to repay such loan (as the same may be further amended and/or amended and restated from time to time, the "CoBank Note"), in a principal amount not to exceed \$139,900,000; and

(5) Entering into one or more unsecured revolving credit facilities with CFC and/or CoBank (each such facility, a "Revolving Facility"), as deemed advisable and in the interest of the Corporation by any Authorized Officer (as defined below), *provided* that (i) the aggregate principal amount outstanding under all Revolving Facilities entered into shall not at any one time exceed \$18,400,000 and (ii) no Revolving Facility shall have a final maturity date later than twelve months after the effective date of such facility; and

**WHEREAS**, the Board of Directors of the Corporation desires to authorize certain officers and staff to pursue, negotiate, execute and deliver all documents necessary to effect or evidence each of the Transactions (the "Transaction Documents").

**NOW, THEREFORE, BE IT RESOLVED**, that the Board of Directors does hereby authorize and empower the Corporation to enter into each of the Transactions (i) on the terms and conditions, including without limitation interest rate provisions and amortization schedules, as are deemed advisable and in the interest of the Corporation by the President, Treasurer, Secretary, Chief Executive Officer or Chief Financial and Administrative Officer of the Corporation (each of the foregoing, an "Authorized Officer") and (ii) with respect to any Revolving Facility, with such Lender and in such maximum available principal amount as are deemed advisable and in the interest of the Corporation by the Authorized Officers or any one of them, *provided* that all terms and conditions of the Transactions, including without limitation the maximum principal amount of any Revolving Facility or combination of Revolving Facilities, must be consistent with the terms of (x) this Resolution, including without limitation the descriptions of the Transactions above, and (y) any order or decision of the Arizona Corporation Commission applicable to the Corporation.

**BE IT FURTHER RESOLVED**, that each of the Authorized Officers is authorized and empowered, for and on behalf of the Corporation and in its name, to negotiate, determine the form and content of (subject to the limitations set forth herein), enter into, execute and deliver (with or without attestation of the Secretary or an Assistant Secretary of the Corporation), and the Corporation is authorized and empowered to perform its obligations under, the Transaction Documents, which shall, without limitation, include:

(1) one or more loan or credit agreements or contracts, line of credit agreements, supplements to master loan agreement, or amendments or supplements to, or letter agreements amending or modifying, any existing loan or credit agreement, master loan agreement or supplement to master loan agreement with Lenders;

(2) the CFC Note and the CoBank Note (together, the "Secured Notes");

(3) a supplemental indenture pursuant to Article VII of the Indenture (the "Supplemental Indenture"), for the purpose of (a) creating the Secured Notes to be authenticated and secured as "Additional Obligations" under the Indenture and (b) confirming the lien of the Indenture unto the Trustee;

(4) any promissory note made by the Corporation to evidence the Corporation's payment obligations under any Revolving Facility; and

(5) any amendments, modifications, extensions, waivers or restatements of any of the foregoing as determined to be appropriate by an Authorized Officer, including, without limitation, subsequent extensions to the term of any Revolving Facility.

Each of the Transaction Documents, including without limitation those referenced above, shall be in such form and have such terms and conditions as the Authorized Officers, or any one of them, shall determine to be in the interest of the Corporation, *provided* that all terms and conditions of the Transaction Documents must be consistent with the terms of (i) this Resolution, including without limitation the descriptions of the Transactions above, and (ii) any order or decision of the Arizona Corporation Commission applicable to the Corporation.

**BE IT FURTHER RESOLVED**, that the Board of Directors hereby authorizes and requests that the Trustee authenticate and deliver, pursuant to Article IV of the Indenture, each of the Secured Notes in the applicable aggregate principal amount set forth above, with the

specific series designation for each of the Secured Notes to be as provided for in the Supplemental Indenture or as set forth in an Officers' Certificate delivered pursuant to Section 2.1 of the Indenture.

**BE IT FURTHER RESOLVED**, that each of the Authorized Officers is authorized to sign, execute, certify to, verify, acknowledge, deliver, accept, file, record and do or cause to be done all such acts and things, to pay or cause to be paid all such costs and expenses, to obtain all such consents from third parties and to execute and deliver in the name and on behalf of the Corporation (with or without attestation of the Secretary or an Assistant Secretary of the Corporation) all the Transaction Documents and such other documents, instruments, certificates and agreements (and to make any changes, amendments, modifications or waivers thereto), all as may be determined to be advisable by an Authorized Officer in order to carry out and comply with the purposes and intent of this Resolution in all respects.

**BE IT FURTHER RESOLVED**, that the final determination and approval of the form, terms and provisions of any Transaction Document or any other document or instrument to be executed on behalf of the Corporation pursuant to this Resolution may be conclusively evidenced by the execution of the same by any Authorized Officer, and the final determination that the taking of any action or the causing of any action is in the interest of the Corporation or is appropriate or advisable shall be conclusively evidenced by the taking of such action or the causing of such action by any Authorized Officer.

**BE IT FURTHER RESOLVED**, that each and every action taken by any Authorized Officer prior to the date of the adoption of this Resolution which would have been authorized by this Resolution but for the fact that such actions were taken prior to such date are hereby ratified, approved, confirmed and adopted in all respects.

The Employee & Customer Relations Committee discussed the upcoming director election and annual meeting and reviewed the draft 2015 annual report.

*Employee &  
Customer  
Relations  
Committee*

The updated 2016 Annual Meeting agenda was included in the board report.

The Committee discussed the CoBank Charitable Giving Program which offers a matching donation to a member cooperative's nonprofit organization. A letter announcing the continuation of the program was included in the board report. Mr. Blair will follow up with a recommendation of an appropriate group to receive this donation.

AEPCO CEO Patrick Ledger joined the meeting. Mr. Scheumann left the meeting.

President English asked Mr. Huber for his CEO Report. A written report was included in the board report.

*CEO Report*

Mr. Huber discussed proposed wording changes to SSVEC tariffs and ACC Staff testimony on rate design.

Mr. Huber included a summary of SSVEC Form 7 trends from 2011 – 2015 in his report. He reported on 2015 statistics including operating revenue of \$96 million; operating margins \$7.7 million; total utility plant \$337 million; construction work in progress \$7 million; total assets \$289 million; and liabilities – margins and equity -- \$107 million.

With no objections stated, President English moved the AEPCO Update earlier in the agenda and asked Mr. Ledger for his update.

*AEPCO Update*

Mr. Ledger reported on the upcoming finalization of the generation cooperatives' merger to one entity. AEPCO will convert its mortgage to an indenture to allow more flexibility in the future.

With the merging of the G&T cooperatives, the "new" AEPCO board of directors established an Audit and Risk Committee to help identify potential fraud and limit the cooperative's risk. The Committee will be tasked with following fuel purchases and contracts, establishing an equity management plan and helping to keep costs and risks down while maintaining transparency.

On the operations side, generation units are being revamped to meet expected regional haze settlement guidelines.

Mr. Ledger expressed appreciation for member cooperatives' grassroots efforts on EPA issues including the proposed Clean Power Plan.

AEPCO is in the process of permitting the land for the solar plant.

On the transmission side, AEPCO is working with various entities to potentially provide an additional transmission source(s). AEPCO is also working with SSVEC and APS on a mutually beneficial arrangement for reliability and backup power, especially for the Sierra Vista area.

Mr. Ledger reported that AEPCO has retired capital patronage for the last four years. He presented a check in the amount of \$239,803, representing the 2015 retirement, to President English.

Employees Chuck Terrell, Albert Jacquez, Chris Valenzuela and David Weinberg joined the meeting and introduced themselves.

Mr. Ledger, Mr. Terrell, Mr. Jacquez, Mr. Valenzuela and Mr. Weinberg left following the lunch break.

Written staff reports were included in the board report.

*STAFF  
REPORTS*

Staff responded to questions asked by directors.

President English asked Ms. Thatcher and Mr. Barrera for additions to the AEPCO Report. The summary of the March 9, 2016 board meeting was included in the board report.

*AEPCO Report*

Mr. Barrera reported that he had been appointed chair of the newly-created Audit and Risk Committee.

The calendar for the 2016 Director Elections and Annual Meeting was included in the board report.

*OTHER  
BUSINESS*

Final nominating results for Director Districts 6, 8 and 10 were posted on March 7, 2016. An election will be held only in District 10.

*Director  
Election:  
Nomination  
Results*

District 6 – Dan Barrera  
District 8 – Peter Gillespie  
District 10 – David Luna and Gary Payne

The biographical statement review committee had previously accepted the District 10 candidates' statements, which were included in the March 22, 2016 ballot mailing.

Directors Thatcher and Nolan proposed that Willcox members Carol Dunagan and Kathy Klump and Stewart District members Jilene Hatch and Emily Rogers be appointed to the 2016 election committee.

Mr. Barrera made a motion to appoint Mrs. Dunagan, Mrs. Klump, Mrs. Hatch and Mrs. Rogers to the 2016 election committee. Mr. Molina seconded the motion, which carried.

The Committee will count ballots for the District 10 election on April 20, 2016 in Willcox.

Several directors declared their intention to seek office. Additional declarations may be made during the April 20, 2016 board meeting and the April 21, 2016 reorganizational meeting that follows the annual meeting.

The Board reviewed schedules for 2016 NRECA Conferences and training, the 2016 NRECA Director Conference, and the 2016 CFC Forum and the 2016 CoBank Directors Conference.

Mr. Payne and Mr. Gillespie left the meeting.

With no objections, the Board entered into executive session at 12:46 p.m.

The regular meeting reconvened at 2:22 p.m.

Mr. Chapman, Mr. Blair, Mr. Garnsey, Mr. Garcia, Mr. Wilson and Ms. Bennett did not return to the regular meeting.

A motion was made, seconded and carried to adjourn the meeting.

There being no further business, President English adjourned the meeting at 2:23 p.m.

Respectfully submitted,

Secretary

Approved:

President