

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

March 22, 2017

A regular meeting of the Board of Directors of the Sulphur Springs Valley Electric Cooperative, Inc. (SSVEC) was held Wednesday, March 22, 2017 in the Benson Operations boardroom, 1557 Cooperative Way, Benson, Arizona.

President English called the meeting to order at 9:32 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 - Peter Gillespie |
| 2 - Curtis Nolan – Treasurer - absent | 9 - Lex Herron |
| 3 - Pat English - President | 10 - Gary Payne |
| 4 - Tom Goodman | 11 - Ed Molina – Vice President - absent |
| 6 - Dan Barrera | 13 - Gene Manning |

All directors were present except Curtis Nolan and Ed Molina, who were necessarily absent and excused. Creden W. Huber, Chief Executive Officer, Chris Hitchcock, General Counsel, and the following SSVEC employees were also present: Kirby Chapman, Jack Blair, Ricardo Garcia, Orson Garnsey, and Char Bennett. Also present were director candidates James Fusco, District 2, and David Pinar, District 3.

President English announced there was a quorum.

Mr. Hitchcock gave the invocation and led the Pledge of Allegiance.

The agenda for this March 22, 2017 meeting was presented.

*APPROVAL OF
AGENDA*

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

The minutes of the regular meeting held February 22, 2017 were presented.

*APPROVAL OF
MINUTES*

Mr. Manning made a motion to approve the minutes as presented. The motion was seconded and carried.

The agenda for the April 20, 2017 special meeting was presented.

*APPROVAL OF
4-20-17 SPECIAL
MEETING
AGENDA*

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

The agenda for the April 20, 2017 regular meeting was presented.

*APPROVAL OF
4-20-17
REGULAR
MEETING
AGENDA*

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

Under the Call to Members, Mr. Fusco and Mr. Pinar introduced themselves.

*CALL TO
MEMBERS*

Under the Call to Directors, Mr. Gillespie reported on a member call regarding a request that the cooperative offer reduced rates or assistance for disabled and low income members. Mr. Huber noted that if proposed legislation is passed it may allow the use of unclaimed capital credits for

*Call to
Directors*

member assistance. Staff will follow-up.

Mr. Herron complimented Mr. Blair on his recent presentation to the Winterhaven group. Jack spoke about cooperatives, cost of service, the rate case, and solar.

Mr. Barrera reported on a recent Benson Economic Development Committee meeting at which a proposed 20,000-home development, Villages of the Meadow, was discussed. Five hundred-plus lots already have utility services. The developer feels they can work with current water issues and the Corps of Engineers in order to proceed with the project.

The Executive Committee reviewed the board meeting agenda and the liability insurance presentation, which were included in the board report.

The Board discussed the presentation that included a review of SSVEC's coverages for May 2015 - May 2017, policies, and Federated's capital credit rider.

In Mr. Molina's absence, Mr. Herron served as the Policy Committee chair.

The Committee presented Policies A-17, Policy Manuals; A-18, Biographical Information of Candidates for Board of Directors; and A-19, Collection of Director's Delinquent SSVEC Bills, which were included in the board report.

After full discussion and with the Committee's recommendation, Mr. Herron made a motion to approve Policy A-17 as presented. The motion carried.

After full discussion and with the Committee's recommendation, Mr. Herron made a motion to approve Policy A-18 as presented. The motion carried.

With the Committee's recommendation, Mr. Herron made a motion to approve Policy A-19 as presented. The motion carried.

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

The Committee reviewed Policies A-20, Designation of Executive Vice President; A-21, Insurance and Indemnification; and A-22, Preference of Businesses Served by SSVEC, and will present them for Board consideration in April.

The Board reviewed the previously approved 2017 Annual Meeting agenda and the draft 2016 Annual Report.

In Mr. Nolan's absence, Mr. Barrera chaired the Finance Committee.

The Committee presented the January 2017 Form 7 and expanded December 2016 CFC Form 7, which was included in the board report.

With the Committee's recommendation, Mr. Barrera made a motion to accept the January 2017 Form 7 and expanded December 2016 CFC Form 7. 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 a proposed resolution and supporting documents regarding CFC and CoBank lines of credit and the termination of a 2013 CoBank commercial paper agreement, which

*GOVERNANCE
COMMITTEE
REPORTS
Executive
Committee*

*Liability
Insurance
Review
Policy
Committee*

*Policies A-17,
A-18 & A-19
Readopted*

Finance

*Lines of Credit
Resolution
2017-03*

were included in the board report.

After full discussion and with the Committee's recommendation, Mr. Barrera made a motion to adopt Resolution 2017-03. The motion carried.

WHEREAS, the management of Sulphur Springs Valley Electric Cooperative, Inc., an Arizona corporation (the "Corporation"), has determined that it would be in the interest of the Corporation to enter into certain new revolving loans with each of National Rural Utilities Cooperative Finance Corporation ("CFC") and CoBank, ACB ("CoBank" and together with CFC, the "Lenders"), in each case as further described below:

- (1) An unsecured revolving credit facility with CFC with a maximum principal amount outstanding at any one time not to exceed \$9,450,000 and a final maturity date no later than 12 months after the effective date of such facility (the "CFC Revolving Facility"); and
- (2) An unsecured revolving credit facility with CoBank with a maximum principal amount outstanding at any one time not to exceed \$9,450,000 and a final maturity date no later than 12 months after the effective date of such facility (the "CoBank Revolving Facility," and together with the CFC Revolving Facility, the "Revolving Credit Facilities");

WHEREAS, the Board of Directors of the Corporation desires to authorize certain officers and staff to pursue, negotiate, execute and deliver all documents, instruments or certificates necessary to effect or evidence each of the Revolving Credit Facilities or for the Corporation to perform its obligations or exercise its rights under the Revolving Credit Facilities (including making advances from time to time) (collectively, such documents, instruments or certificates, the "Transaction Documents");

WHEREAS, the Board of Directors of the Corporation also desires to evidence its termination of the Credit Agreement, dated as of September 18, 2013, between the Corporation and CoBank, as amended (the "Commercial Paper Backup Facility"), an unsecured line of credit facility of up to \$40 million that may serve as back-up to any commercial paper program; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors does hereby authorize and empower the Corporation to enter into, and make advances from time to time under, each of the Revolving Credit Facilities on the terms and conditions 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"); provided that the terms and conditions of each Revolving Credit Facility must be consistent with the descriptions of such Revolving Credit Facility set forth above.

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 (consistent with the authorizations 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) A Revolving Line of Credit Agreement with CFC with respect to the CFC Revolving Facility;
- (2) A Supplement or Amended and Restated Supplement to the Corporation's Master Loan Agreement with CoBank with respect to the CoBank Revolving Facility; and

- (3) any promissory note made by the Corporation to evidence the Corporation's payment obligations under any Revolving Credit 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 and consistent with the authorizations herein.

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes and empowers the Corporation to take all action necessary or appropriate to evidence the termination of the Commercial Paper Backup Facility, all as determined necessary or appropriate by any Authorized Officer.

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes and empowers any Authorized Officer to execute, under the corporate seal if desired, and deliver on behalf of Corporation, the Transaction Documents, together with any and all other agreements, documents, instruments, certificates and other papers relating thereto or necessary or convenient in connection with the transactions approved in this Resolution (and to make any changes, amendments, or modifications to the Transaction Documents or other agreements, documents, instruments or certificates that are consistent with the authorizations herein), and to take such other actions and to do or cause to be done any and all other acts and things, including, without limitation, the expenditures of such funds, the delivery of pay down notices, the exercise of interest rate options and the making of selections and/or advance requests, and the obtaining of any required third party consent, 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, the Board of Directors also authorizes the Controller or, at the direction of the Controller, other Accounting staff members, to exercise interest rate options and make selections and/or advance requests in connection with either of the Revolving Credit Facilities.

BE IT FURTHER RESOLVED, that the final determination and approval of the form, terms and provisions of any Transaction Document or other agreement, document, instrument, certificate or other paper 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.

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

Mr. Huber reported on Phase 2 of SSVEC's rate case and the upcoming Fort Huachuca mediation.

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 the AEPCO Report. The summary of the meeting held March 8, 2017 was included in the board report. *AEPCO Report*

The AEPCO Board was updated on risk management, finance, generation and environmental issues.

AEPCO's annual meeting will be held on May 10 at Kartchner Caverns.

President English stated that Mr. Barrera's term on the AEPCO Board of Directors will expire in May and asked directors to vote by secret ballot to fill the seat. Information was included in the board report.

The Board re-elected Mr. Barrera to serve a two-year term on the AEPCO Board.

President English referred to information regarding voting delegates, which was included in the board report. He stated that SSVEC has traditionally appointed the representatives to the AEPCO Board as voting delegates.

Mr. Barrera made a motion to appoint Ms. Thatcher and himself as voting delegates to AEPCO's annual and special meetings for the coming year and to appoint Mr. Manring and Mr. Herron as alternates. Mr. Herron seconded the motion, which carried.

The calendar for the 2017 Director Elections and Annual Meeting was included in the board report. *Other Business*

The biographical statement review committee presented the statements, which included the committee's suggested corrections, for Board consideration. Additional changes were recommended. *Director Elections*

Ms. Thatcher made a motion to accept the statements as further revised. Mr. Herron seconded the motion, which carried.

The statements will be included with the ballots, which will be mailed no later than March 29, 2017.

Final nominating results for Director Districts 2, 3, 4 and 11 were posted on March 6, 2017. Elections will be held in all four districts. Ballots will be mailed no later than March 29, 2017.

District 2
James Fusco
Curtis Nolan

District 4
Nelson Daley
Tom Goodman
Kimber Trejo

District 3
Greg Attaway
Pat English
David Pinar

District 11
Wayne Gregan
Ed Molina

Final Nominating Results

Directors Thatcher and Barrera proposed that Kathy Klump, Carol Dunagan, Jo Anna Flores, Fred Smith and Albert Fernandez be appointed to serve on the election committee.

Mr. Barrera made a motion to appoint the committee as presented. Mr. Payne seconded the motion, which carried.

The Committee will meet on April 19, 2017 to count the ballots cast in the four elections.

The Board reviewed schedules for the 2017 NRECA Conferences, 2017 NRECA Annual Meeting, 2017 NRECA Directors Conference, 2017 NRECA Legislative Conference, and 2017 CFC Forum.

Directors were asked to declare their intent to seek office during the reorganization meeting following the annual meeting. Additional declarations may be made during the April 19, 2017 board meeting and the April 20, 2017 reorganization meeting.

Participants reported on the 2017 NRECA Annual Meeting and training.

Mr. Pinar and Mr. Fusco left the meeting.

The Board discussed participation in training in conjunction with an eligible meeting or conference such as the GCSECA Summer Meeting. Per Policy A-10, if a director who has already used their four allowed training days participates in the director training that follows the summer meeting they will not be paid per diem or for hotel expenses.

The Board discussed participation in the 2017 AEPCO Annual Meeting and the golf event the day prior. Since an overnight stay is not required to attend the meeting, per Policy A-10, hotel cost is not an allowable expense. Allowable expenses for the AEPCO annual meeting are one day's per diem and mileage for the day of the meeting.

With no objections stated, the Board entered into executive session at 12:34 p.m.

The regular meeting reconvened at 2:00 p.m.

Mr. Blair did not return to the regular meeting.

There being no further business and no objections, President English adjourned the meeting at 2:00 p.m.

Respectfully submitted,

Secretary

Approved:

President