

**HTML contains invalid UTF-8 character(s)****MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF DIRECTORS OF  
WELLS RURAL ELECTRIC COMPANY****January 17, 1996**

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in Wells, Nevada in the boardroom of the Wells office and called to order January 17, 1996 at 1:00 pm. The meeting was presided over by President D. Vernon Dalton.

Directors present were: Gerald Anderson, D. Vernon Dalton, Daryl Eriksen, Orlin Kidner, Lois Nannini, Paul Neff, Jerry Parkin, S. J. Smith, Vernon Scott And Mary Wright. Robert Harris was not present.

Staff members present were Daniel L. Kessler, Jr., General Manager; Clay R. Fitch, Manager of Finance/Administration and Warren Linnell, Manager of Engineering/Operation. Also present was Diane Griswold, Executive Secretary.

**APPROVAL OF MINUTES:**

The minutes of the regular meeting of December 15, 1995 were approved as written.

**ADDITIONS TO THE AGENDA:**

It was noted that attorney Robert O. Vaughan will be attending the meeting to discuss Policy 11-1 *Policy on Offers to Acquire All or Significant Portions of he Cooperative* **[[#146]]**s Assets; "Not For Sale" Resolution; and Bylaw amendment. It was requested that discussion on the Next \$ Foundation be added. There were no objections.

**STUDIES UPDATE (PRESENT/FUTURE):**

Dr. Dennis Hein and the NRECA Market Research Division has started the updated panel survey and the commercial and industrial survey. A report was given.

Addressed was the feasibility of WREC **[[#146]]**s involvement into the gas industry, which fits under the diversification section of the Strategic Plan. A report was given. Following a discussion, IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY VERNON SCOTT AND PASSED UNANIMOUSLY TO AUTHORIZE MANAGEMENT TO GET THE INFORMATION NEEDED, WITH COSTS, TO LOOK INTO THE STRUCTURE AND FUTURE OF THE GAS INDUSTRY.

**ROBERT O. VAUGHAN, ATTORNEY:**

The next matter to come before the meeting was consideration of whether or not the cooperative was for sale, lease or other form of acquisition. The current status of corporate affairs, the history of service to the members, the cooperative **[[#146]]**s viability in the communities it serves, the benefits to its members, the strength and efficiency it exhibits in providing service, and other factors were considered. Thereafter, on motion duly made by director Vernon Scott and seconded by Mary A. Wright, the following statements of fact were approved and the resolutions thereafter were approved and adopted by a unanimous vote.

WHEREAS, WELLS RURAL ELECTRIC COMPANY (the "Cooperative") was created, and for more

than thirty-five (35) years has served, to bring electric service to homes, businesses, farms, and ranches in areas where service was not otherwise available, or low cost service was not available;

WHEREAS, the Cooperative is a viable business, which is efficiently performing the services for which it was organized, providing reliable service at minimum costs;

WHEREAS, the Cooperative is also a vital part of the communities which it serves, and as such, has concerns that include the interests of those communities;

WHEREAS, the Cooperative is operated as a non-profit corporation, whereby all revenues in excess of the Cooperative[[#146]]s expenses are allocated to its members on a patronage basis as capital credited to the member[[#146]]s accounts, and those capital credits are retired to the members in accordance with state law and the Articles of Incorporation and Bylaws of the Cooperative.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of this Cooperative, having reviewed the current status of the Cooperative[[#146]]s affairs, and having considered the unique nature of the Cooperative who is presented with any inquiry regarding the sale, lease, merger, or other form of acquisition of the Cooperative shall immediately respond to the inquiry by stating the Board of Directors has determined that the Cooperative is presently not for sale, and that the employee shall promptly notify the General Manager who shall in turn notify the Board of Directors of any such inquiry.

The next matter to come before the meeting involved the consideration of a policy to guide the Board of Directors in the event of officers that may in the future be made to acquire all or significant portions of the Cooperative[[#146]]s assets. All of the provisions and terms of the proposed policy were considered, including the Background of the Cooperative, Objectives of the policy and the terms of the Board Policies and Procedures. Adoption of the Policy 11-1 was recommended by management and corporate counsel. After due consideration, the following resolutions were passed upon motion by S. J. Smith, seconded by Gerald Anderson, the vote being 10 in favor and 0 opposed:

BE IT RESOLVED, that the Board of Directors of the Cooperative hereby adopts Policy No. 11-1 and the following Resolutions to establish certain policies and procedures relating to offers, which shall be followed unless the Board determines that until the Board of Directors determines that an exception is required by extenuating circumstances;

BE IT FURTHER RESOLVED, that this Policy is designed only to provide guidance for the Cooperative[[#146]]s Board of Directors and shall not be construed to create rights in the Cooperative[[#146]]s members, a party submitting an offer to the cooperative, or any other person, corporation, or other entity;

BE IT FURTHER RESOLVED, that this Policy shall not be amended or repealed, except by an affirmative vote of three-fourths (3/4) of the Directors in office[[#146]]

BE IT FINALLY RESOLVED, that subject to the foregoing Resolutions, Policy No. 11-1, a Policy On Offers To Acquire Or Significant Portions of the Cooperative[[#146]]s Assets, is adopted as to all of its terms and conditions. (Policy 11-1 attached).

The next matter to come before the meeting concerned the matter of a procedure whereby the members of the corporation as well as the Directors may remove a Director from office but only for cause. After fair consideration and upon the advice of counsel, the following resolutions amending the Bylaws of the corporation and providing procedure for removal of Directors was, on motion by Mary A. Wright, seconded by Gerald Anderson, passed by a vote of ten in favor and 0 opposed:

RESOLVED, that sub-paragraph (b) of subsection 3 of section 2 of Article III of the Bylaws of the corporation is hereby deleted.

BE IT FURTHER RESOLVED, that there be added to Article III of the Bylaws of the corporation the following"

"Section 12. Removal of Directors". A Director may be removed from office only for cause. Removal shall be by the vote of members of the corporation representing not less than a majority of the voting power of the members or by the affirmative vote of two-thirds (2/3) of the Directors in office under the following terms and conditions"

Cause for removal shall include"

The Director committing an act or omission adverse to and affecting the business and affairs of the corporation and amounting to intentional misconduct, fraud, or a knowing violation of the law; and

The Director being in violation of and not qualified to serve under the terms provided Article III, Section 2, subsection 2(a)(1)-(9), inclusive.

The procedure for removal of a Director by the Board of Directors is as follows:

After investigation a decision must be reached by the Board of Directors that there is or is not cause for removal of the Director.

The Director subject to removal shall be given notice of the finding of the Board of Directors and be permitted twenty (20) days to resign or respond if the Board of Directors have found cause;

If the Director subject to removal does not respond or if the response does not satisfy the Board of Directors that no cause exists, then the Director subject to removal shall be given notice that action will be taken upon his or her removal at a regular or special meeting of the Board of Directors to be held not less than ten (10) days or more than forty (40) days from the date of the notice.

That at the date set for action upon the removal of the Director, the Board of Directors will take the matter up for consideration; and in that regard:

The Director shall be entitled to be represented by counsel and shall have the opportunity to refute such charges and present evidence in his or her defense before a vote of the Directors is taken;

The Board of Directors may postpone the meeting and the action thereon from time to time on any reasonable grounds, including if all the members of the Board of Directors, excluding the Director charged with the removal are not present.

The Director subject to removal shall be given reasonable notice of any postponement of action and may be entitled to appear and be represented at any postponed meetings where action is to be taken.

The procedure for the removal of a Director by the members shall be as follows:

A written petition must be presented to the Board of Directors which shall:

Describe in detail each of the charges against the Director the members seek to remove and the basis therefor. If more than one Director is sought to be removed, individual charges for removal shall be specified for each; and

The petition must be dated and signed by a minimum of ten percent (10%) of the members of the corporation who would be entitled to vote on the date of the petition. The petition must be signed by said members within sixty (60) days of the date of the petition.

If the Board of Directors determines that the petition complies with paragraph 3(a) above and if the Secretary of the corporation certifies the authenticity of the petition, a vote of the members of record as of the date of the petition shall be entitled to vote as to the removal of the Director or the non-removal of the Director pursuant to NRS 82.276 and NRS 82.296 in lieu of a meeting of the members to be held for such purpose.

All members entitled to vote shall receive a ballot whereby they can vote for removal of the Director charged with removal or vote against said Director's removal.

The documents to be mailed to members seeking a vote for removal of a Director or a vote against removal of a Director shall be in the form of a ballot. There shall be mailed to all members entitled to vote on the matter:

One copy of the ballot;

One plain ballot envelope

One copy of the material hereinafter described in subparagraph (vi); and

One envelope addressed to the office of the corporate attorney in Elko, Nevada, or to such other location or address as the Board of Directors may determine to have said ballots returned; and

One copy of the voting procedure and instructions which shall include advice of the date for final return of the ballots; and

Material to be mailed to the members with ballots shall include;

A conformed copy of the petition calling for removal;

At the request of the Director sought to be removed a statement in opposition to the position of 250 words or less; and

The election materials above described shall be approved by corporate counsel.

Affirmative action taken by the Board of Directors or the members aforesaid shall remove the Director from office and shall create a vacancy in said office to be filled as provided by the Bylaws of the corporation.

Nothing contained herein, however, shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board of Directors.

The matter of severance contract and right of first refusal was referred to the Policy Committee for review and consideration.

The next matter of discussion was the Next \$ Foundation, its status and the difficulty of attaining a quorum at their trustee meetings. The WREC board meeting was recessed at 3:50 pm for a meeting of the members of the Next \$ Foundation. The meeting was called back to order at 4:00 pm. Mr. Vaughan left the meeting at this time.

#### MANAGER[[#146]]S REPORT:

Mr. Don Angell[[#146]]s report, based on the PNGC and BPA presentations given during the December board meeting, will be available during the February board meeting.

A challenge was issued from the staff to double ACRE memberships. A letter was received from Mr. Glenn English, CEO of NRECA, asking everyone to double memberships in their cooperatives.

A donation request from the Carlin Economic Development Authority will be referred to the Next \$ Foundation for consideration.

The grand opening for the Wendover office building will be scheduled in the spring following the completion of the landscaping.

#### POWER SUPPLY:

The Public Service Commission application for additional territory (Grass Valley-UNR/McNabb) was presented to Mr. Dalton for signature. Dan reported.

#### FINANCIAL REPORT:

Clay handed out to the board a *Request for Proposal for a Cost of Service (COSS)*. The following information was included in the report: Introduction; WREC Descriptive Information; Format of RFP; Scope of Work; Deliveries; Cost Proposal; Schedule; Proposed Personnel[[#146]] RFP Evaluation Criteria; Service Contract; Response Date for RFP; and Inquiries. A discussion ensued. There were no objections to releasing the RFP to the qualified respondents.

#### SAFETY MINUTES:

IT WAS ON MOTION BY VERNON SCOTT, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE SAFETY MINUTES.

#### NEW MEMBERSHIPS:

IT WAS ON MOTION BY VERNON SCOTT, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE 50 NEW MEMBERSHIPS: 12-WELLS, 13-CARLIN, 14-WENDOVER, NV AND 11[[#150]]WENDOVER, UT.

BOARD COMMITTEE REPORTS:

No committees were scheduled to meeting this past month. It was noted that the Hydro Report will be added to the agenda in February.

OTHER BUSINESS:

As there was no further business to come before the board, the meeting adjourned at 5:10 pm (MT).

D. Vernon Dalton, President Mary A. Wright, Secretary

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