

MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF DIRECTORS OF WELLS RURAL ELECTRIC COMPANY

November 20, 1998

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 Friday, November 20, 1998 at 9:00 am. The meeting was presided over by President D. Vernon Dalton.

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

Staff members present were: Daniel L. Kessler, Jr., Chief Executive Officer; Clay R. Fitch, Chief Financial Officer, and Jim Suñeuga, Mgr. Marketing/Customer Services. Also present was Amanda Bourne, Executive Secretary and Don Angell, Engineering Consultant.

ACTION ITEMS:

APPROVAL OF MINUTES:

The minutes of the regular meeting of October 16, 1998 were approved as written.

ADDITIONS TO AGENDA:

There were no additions to the agenda.

SAFETY FIRST VERSE: *Stay alert on the job!*: You are more likely to suffer a fatal accident off the job than on the job. When work is over, staying safety-alert could be one of the smartest things a person can do.

EXECUTIVE SESSION:

An executive session was held.

MANAGER'S REPORT:

RUS Loan Documents □ The next matter to come before the meeting related to borrowing by WELLS RURAL ELECTRIC COMPANY (the "Cooperative"), from NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), an aggregate amount not to exceed \$7,000,000.00 and to purchase with general funds a Loan Capital Term Certificate in an amount not to exceed three percent (3%) of the face value of the Note. The CFC Loan Documents were reviewed by General Counsel for the Cooperative. After a thorough discussion of the matter, IT WAS ON MOTION BY PAUL NEFF, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION.

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation (CFC), from to time as determined by the officers or proper persons designated by the Board of Directors of the Cooperative, an aggregate amount not

to exceed \$7,000,000.00, and purchase with general funds a Loan Capital Term Certificate, if required, in an amount not to exceed the amount set forth in the Loan Agreement; and

RESOLVED, that the proceeds of this loan be used for the purpose set forth in the Loan Agreement; and

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the following documents (including as many counterparts as may be required);

an agreement with CFC, substantially in the form of the CFC Loan Agreement submitted to this meeting; and

one or more promissory notes payable to the order of the National Rural Utilities Cooperative Finance Corporation, which in the aggregate equal the principal amount of \$7,000,000.00, bearing such interest and providing for such payment as is set forth in the CFC Loan Agreement and each note presented to this meeting.

Further action was required to approve the NRUCFC Revolving Line of Credit Agreement. Following a discussion, IT WAS ON MOTION BY PAUL NEFF, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION.

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation (CFC), in an amount which shall not at any one time exceed Seven Million Dollars (\$7,000,000.00) (the "Line of Credit"), for a term of Sixty (60) months, subject to the provisions of the Line of Credit Agreement substantially in the form submitted to this meeting, a copy of which is attached hereto (the "Agreement"), and to pay such interest rate or rates as shall be prescribed in the Agreement; and,

RESOLVED, that the Chief Executive Officer of the Borrower be and is hereby authorized to execute the Agreement on behalf of the Borrower, to execute any future amendments to said Agreement as such individual may deem appropriate within the Line of Credit Amount so authorized, and to execute such further documents as may be necessary or appropriate in order to comply with CFC's requirements; and,

RESOLVED, that it is the intent of the Board that upon execution and delivery of the Agreement to CFC, and when executed by CFC, the Agreement shall constitute a valid and binding

agreement between CFC and the Borrower, enforceable in accordance with its terms; and

RESOLVED, that CFC shall be entitled to rely upon the direction of such officer or employee of Borrower as CFC reasonably believes is authorized on behalf of the Borrower to request and receive funds pursuant to the Agreement; and

RESOLVED, that CFC is hereby authorized to receive, review, and make copies of any financial statements, documents, reports, contracts or other materials as CFC may reasonably request from time to time in connection with the Agreement; and

RESOLVED, that the appropriate officers are authorized to take all other actions they deem advisable to carry out the purpose of these resolutions.

Carlin Clinic □ It was reported that the Carlin Clinic has approached Wells Rural Electric for a donation to help with the start up costs of opening the Carlin Medical Clinic. Following a discussion, it was the general consensus of the board to check into previous involvement on the Wells and Wendover clinics.

Capital Credit □ Dan reported the amount of \$572,766 will be retired in 1999 for part of 1991 and all of 1982 through 1987. IT WAS ON MOTION BY DIRECTOR ROBERT HARRIS, SECONDED BY DIRECTOR ORLIN KIDNER AND PASSED UNANIMOUSLY TO RETIRE \$572,766 IN CAPITAL CREDITS IN 1999.

Daryl Eriksen left at 11:45 a.m. for the RFP Report.

RFP Draft Report □ Mr. Rob Church of Management Consulting Services and Mr. Dwayne Wellingham, CEO of Propane Resources presented a draft proposal on propane and natural gas partnering, start-up and acquisition. Staff will collect more information on the propane/natural gas venture to present to the board.

CEO's Contract □ This was withdrawn from the agenda.

A lunch recess was called at 1:45 pm. The meeting was called back to order at 2:50 pm.

SAFETY MINUTES:

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

NEW MEMBERSHIPS:

IT WAS ON MOTION BY VERNON SCOTT, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO APPROVE 37 NEW MEMBERSHIPS AS REVIEWED: WELLS □ 3; CARLIN □ 12;

WENDOVER, NV □ 12; AND WENDOVER, UT □ 10.

INFORMATION ITEMS:

Studies Update:

Strategic Plan □ The strategic plan will be presented in January for 1999.

Integrated Resource □ This information was mailed with the agenda.

Outage Report □ This information was mailed with the agenda.

Engineering Report □ This was mailed with the agenda.

Manager's Report:

The following reports were moved to the December board meeting:

- Meter Reading Report
- Disconnect Policy Update
- Engineering/Operations Report
- Y2K Update

Account Manager Program □ This was available in the FYI file.

B. Auditor Bids □ Dan reported 6 of the 7 requests that were mailed for letters of qualifications were returned. Bid proposals are due into the WREC office December 10th.

C. NREA Annual Meeting - The board discussed their displeasure with this years annual meeting, which was held in Mesquite, NV. It was decided to focus on putting all efforts toward improving the NREA.

D. Grassroots Program □ A discussion on the number of meetings, where to hold the meetings and when, took place. It was suggested to hold the meetings in each area and to have a keynote speaker attend the first one. Also suggested was to invite Senator Harry Reid to attend.

Power Supply:

Don Angell gave a report on the following: BPA Subscription, CIG Natural Gas Pipeline Project, Wendover Power Factor and Nevada Restructuring.

A recess was called at 4:25 pm. The meeting was called back to order at 5:26 pm.

Quantum Resources, Inc. □ The next matter to come before the board was a line of credit resolution, IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING LINE OF CREDIT RESOLUTION.

RESOLVED, that Wells Rural Electric Company (hereinafter referred to as Guarantor), agree that the Guarantor guarantee \$1,200,000.00 of a line of credit loan or advances obtained by Quantum Resources, Inc. (hereinafter referred to as Applicant), from the National Cooperative Services Corporation (NCSC) in the amount of \$1,200,000.00 for a term of five (5) years, and at such interest rate or rates as shall be prescribed in the note or notes executed by and on behalf of the Applicant and delivered to NCSC, the proceeds of such loan to be used for subsidiary activity.

BE IT FURTHER RESOLVED, that the Chief Executive Officer of the Guarantor be and is hereby authorized to execute, on behalf of the Guarantor, a Guaranty; within the aggregate amount or percentage authorized by the foregoing resolution and to supply such further documents as may be needed to comply with NCSC requirements

OTHER BUSINESS:

As there was no further business to come before the board, the meeting was adjourned at 5:30pm.

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

**MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF DIRECTORS OF
QUANTUM RESOURCES, INC.**

November 20, 1998

The regular meeting of the Board of Directors of Quantum Resources, Inc. was held in Wells, Nevada in the Boardroom of the Wells office and called to order Friday, November 20, 1998 at 3:15 pm. The meeting was presided over by President D. Vernon Dalton.

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

Staff members present were Daniel L. Kessler, Jr., Chief Executive Officer and Clay Fitch, Chief Operations Officer. Also present was Amanda Bourne, Executive Secretary.

ACTION ITEMS:

The minutes of the regular meeting of October 16, 1998 were approved as written.

ADDITIONS TO AGENDA:

- ETI Acquisition
- Benefit Package Proposal
- Board Resolution □ Request for NCSC Financing

EXECUTIVE SESSION:

No executive session was held.

FINANCIAL REPORT:

A detailed financial report will be available to the board in December.

MANAGER'S REPORT:

ETI Acquisition □ Dan presented a proposal to purchase ETI Systems, Inc. of Elko and Winnemucca. The acquisition would double Quantum's security department. The final offer to purchase ETI was \$233,192. This would include inventory, office equipment and equipment, vehicles, tools and monitoring accounts. It was stressed that only the items deemed necessary were being purchased, all other items were taken out of the offer. Following a discussion, IT WAS ON MOTION BY MARY A. WRIGHT, SECONDED BY GERALD ANDERSON AND PASSED UNANIMOUSLY TO APPROVE THE PURCHASE OF ETI SYSTEMS, INC. FOR \$233,192.

The next matter to come before the board was a request for NCSC Financing. IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION:

WHEREAS, the Board of Directors, of Quantum Resources, Inc. (hereinafter called the "Cooperative"), make application for and authorize borrowing from the National Cooperative Services Corporation (NCSC) in the amount of \$1,200,000.00 to finance the project for a term of five (5) years.

BE IT RESOLVED, that the repayment of the loan shall be based on periodic

installments, including interest and principal payments, which are equal in amount to every other such periodic installment.

Employee Benefit Package: Dan and Clay presented the following changes to the hourly benefit package:

Health insurance deductible - \$250.00 p/person

Paid time off in lieu of vacation and sick leave (to include holidays)

Drop NRECA's retirement package and employer contributes of 7% - 8.5% to employee's 401(k)

Overtime nothing paid until in excess of 40 hrs/wk.

A discussion on resigning from the IBEW union contract ensued. IT WAS ON MOTION MY ROBERT HARRIS, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE REVISED EMPLOYEE BENEFIT PACKAGE AND TO WRITE A LETTER TO RESIGN FROM THE UNION.

OTHER BUSINESS:

As there was no further business to come before the board, the meeting was adjourned at 5:25 pm.

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