

Washington Electric Cooperative, Inc.

Board of Trustees Minutes

December 28, 2017

The Board of Trustees of Washington Electric Cooperative, Inc., met in regular session on Thursday, December 28, 2017. Chairman Paul Fleeman called the meeting to order at 9:00 a.m., in the Cooperative's meeting room at 440 Highland Ridge Rd., Marietta, Ohio. Trustees answering the roll call were Paul Fleeman, William Bowersock, Gale DePuy, Betty Martin, Brent Smith, and Larry Ullman, Shawn Ray being absent. General Manager/CEO Jack Bragg, Jr., Jennifer Greene, Allen Casto, Dean McMahan, and attorney Dan Fouss were also in attendance.

Ullman moved to accept the minutes of the November 30, 2017, WEC board meeting. Smith seconded the motion. Motion carried.

Martin moved to accept the reports of capital credit estate retirements, new members of the Cooperative and the November 2017 safety report as presented by Bragg. DePuy seconded the motion; motion passed.

An extended discussion took place regarding the purchase of property on which to build a new substation to replace the Rinard Mills substation. The initial potential location for the new substation, to be named the Rouse Substation, was to be on a parcel on Ohio 26 near Jericho Low Gap Road owned by Tom Rouse and other members of his family. For nearly one and a half years Mr. Rouse tried to remedy a defect in the title of the property due to issues with other family member's ownership, but was unable to do so; consequently the transaction could not be completed. The AEP transmission upgrade project is moving ahead quickly and WECEI must definitively establish our substation locations as soon as possible so AEP can acquire the proper design and related right of ways. WECEI has had no success finding other property owners in the area who would be willing to sell a parcel of land for the substation. Another location nearly adjacent to the Rouse property exists and the management of WECEI approached the owner who is Larry Ullman, trustee at WECEI. Both management and Mr. Ullman asked for a detailed discussion being mindful of the Conflict of Interest Policy 207 and also arranged for Cooperative attorney Dan Fouss to be present in order to guide the board in complying with the policy and assure an arm's length transaction would be considered. Because Mr. Ullman has a material financial interest, WECEI wants to assure that Part P (4) of Policy 207 is followed particularly part 4. (A) regarding the official disclosing the existence and nature of the conflicting transaction, disclosing all information believed to be reasonably material to all the disinterested directors, Mr. Ullman abstaining from any vote or decision related to the transaction and Part 4 (B) assuring the transaction benefits the Cooperative and is comparative to what might have been obtained in an arm's length transaction given the potential consideration to be paid. As a result of discussions with Mr. Ullman and the disinterested board members, the management of WECEI has requested consideration of a non-binding letter of intent to purchase real estate (attached) to be entered into with board approval. At 9:25 a.m. before such consideration, Mr. Ullman exited the meeting. After a short discussion, DePuy made a motion for WECEI

to enter into a non-binding letter of intent to purchase real estate, seconded by Martin, and unanimously accepted by the trustees present. Mr. Ullman re-entered the board meeting at 9:28 a.m.

Bowersock moved to accept the unaudited October 2017 financial report as presented by Director of Finance and Administration Dean McMahan. Smith seconded the motion. Motion passed.

McMahan reviewed the final draft of the 2018 budget and led the discussion. Bragg presented for review and discussion the final draft of the 2018 Non Work Plan Capital Budget. Smith made a motion to approve the 2018 Operating Budget and the 2018 Non Work Plan Capital Budget. The motion was seconded by Ullman. Motion passed.

Bragg asked the Board to approve a voting delegate to the NRECA Annual Meeting to be held in February 2018. After discussion the board agreed that Betty Martin would be the voting delegate and would be granted the authority to appoint an alternate. Ullman moved to approve Betty Martin as the voting delegate, seconded by Smith, motion passed.

Upon a motion by Smith, second by Bowersock, the board agreed to approve Jack Bragg as the voting delegate for the NRTC Annual Meeting in February 2018.

Jennifer Greene provided a brief discussion of a potential donation for the Project Ohio Las Tortugas and San Jorge Guatemala effort as part of the NRECA International program. The project will occur in early 2018. The board agreed to a \$250 donation to the effort. On a motion by Martin and second by Ullman, the board unanimously approved the motion.

Bragg reported on the following meetings and topics:

- NRECA Annual Meeting February 25-28.
- The Buckeye board meeting held on December 11, the financials for November, and a general discussion of the migration from AEP management of the Cardinal facility to Buckeye.
- Ohio Electric Cooperative's Winter Meeting February 12-13 at the Embassy Suites in Dublin.
- Attendance at the Marketing Committee of OEC on December 13.

Martin discussed the OEC Board meeting on December 11 and the items discussed. Bragg discussed the new linemen who were hired to address staff changes. Casto gave a brief overview of the activities in Technology. Greene provided an update on the marketing activities particularly an additional digital campaign to promote adoption of SmartHub and the general programs available from OEC which we have been taking advantage of. Greene also reminded the board that the 2018 WECl Annual Meeting will occur on Thursday, May 17 at the WECl headquarters.

At 11:19 a.m. on the motion of Martin and seconded by DePuy , the Board entered Executive Session for discussion. At 11:41 a.m. the Board exited Executive Session on the motion of DePuy and a second by Martin.

The next WEC Board Meeting will be conducted on Thursday, January 25, 2018, beginning at 9 a.m.

DePuy moved to adjourn. Martin seconded the motion. Motion passed. Adjournment was at 11:42 a.m.

Chairman

Secretary