

January 26, 2017, Board Meeting Recap

The Regular Meeting of the Board of Directors of South Central Indiana Rural Electric Membership Corporation was held pursuant to notice as required by the Bylaws at the principal office of the Cooperative, 300 Morton Avenue, Martinsville, Indiana on Thursday, January 26, 2017, at 5:30 p.m.

The following Directors were present: Mark Smith, Jerry W. Pheifer, Jim Cox, Lisa Prosser, Rex Franklin, Stephen Williamson, Bruce Hamlin, and Heather Mollo. Director Joe Peden was present via conference call. Others in attendance were Michael Schultz, General Counsel (via conference call); Greg McKelfresh, President and Chief Executive Officer; and Stacey Sauer, Executive Assistant.

The President called the meeting to order and asked if there were any amendments or corrections to the minutes of the Regular Board of Directors' Meeting held December 15, 2016. Mr. Smith suggested that under Unfinished Business, third paragraph, the word "secret" ballot vote be changed to "written" ballot vote. There were no further corrections and upon motion of Mr. Smith, seconded by Mr. Cox, the minutes of the December 15, 2016, meeting were approved as amended.

Safety Report: Mr. McKelfresh reviewed the Safety Report for the month and answered the Directors' questions regarding the same. Ms. Prosser made a motion to accept the Safety Report. The motion was seconded by Mr. Pheifer and approved.

Audit Committee: Mr. Pheifer reported that the Audit Committee met in January to review the Board and CEO's 2016 expense reports indicating that all was in order.

Finance Committee: Mr. Smith reported on the recent meeting of the Finance Committee discussing key ratios, increasing SCI's equity to debt ratio, and reviewed accounting's schedule for the year-end close, audit, and reporting process.

CEO Search Committee: Ms. Prosser reported on the recent Strategic Initiatives Meeting (which included all board members) and the draft SWOT (strengths, weaknesses, opportunities, and threats) analysis developed at the meeting.

The Board further reviewed a Search Agreement received from Workplace Forward to conduct the CEO search. Following discussion, Ms. Prosser made a motion to approve the Search Agreement. The motion was seconded by Mr. Pheifer and approved.

Fiber Committee: Mr. Cox reported on the Fiber Committee meeting that was held January 17, 2017. He indicated that Pulse Broadband made a presentation to the committee regarding their broadband services and available resources. Following the presentation, the committee decided to secure a proposal from Pulse Broadband on the cost of conducting a feasibility study for SCI. Mr. Cox further reported that IEC is planning a Broadband Symposium for late March to discuss broadband issues. Staff members from all of the Indiana cooperatives will be invited, including directors.

The Board then discussed the proposal received from Pulse Broadband to complete the feasibility study at a cost of \$19,800. Following the discussion, Ms. Prosser made a motion to move forward with the study at the cost of \$19,800. The motion was seconded by Mr. Pheifer and approved.

Member Service and Marketing Committee: Ms. Mollo reported on the Member Service and Marketing Committee Meeting that was held on January 18, 2017. The Committee discussed the Co-op Conversations meetings and plans for the 2017 SCI Annual Meeting which will be held Saturday, August 26, 2017. Each director will submit up to 10 names of members to receive a personalized invitation to the Co-op Conversations meetings. Mr. McKelfresh reviewed a proposal for sponsorships at the county fairs in Brown, Monroe, Morgan, and Owen Counties. The board agreed with the proposal.

Unfinished Business: Mr. McKelfresh reported that the strategic planning goals and action items were included in the Board Report.

Mr. McKelfresh discussed possible dates and plans for the system tour. The Board scheduled the system tour for July 28, 2017.

Mr. Hamlin discussed the Outcomes and Action Items Based on the Board's Self-Evaluation reviewing each of the eight items and the status of each.

New Business: The appointment of the Delegate to the Hoosier Energy Annual Meeting was then considered. Mr. Franklin made a motion to appoint Mr. Cox as the Delegate to the Hoosier Energy Annual Meeting. The motion was seconded by Mr. Williamson and approved.

The Board next considered the nomination of the Hoosier Energy Director. Mr. Cox made a motion to nominate Jerry Pheifer to represent SCI on the Hoosier Energy Board of Directors. The motion was seconded by Mr. Franklin and approved.

The Voting Delegate and Alternate Voting Delegate to the CFC Annual Meeting were then appointed by the Board. Mr. Cox made a motion to appoint Ms. Prosser as the Voting Delegate and Jerry Pheifer as the Alternate Voting Delegate. The motion was seconded by Mr. Pheifer and passed.

The President/CEO reported that a list of 2016 accomplishments by departments was included in the Board Report.

Mr. McKelfresh reminded the Board that FORE and ACRE memberships are due.

The Board then considered the refinancing of two CFC loans totaling \$1,401,088.20. The Board first considered the loan term and rate election. Following discussion, Ms. Prosser made a motion to refinance the loans for ten years with a fixed interest rate. The motion was seconded by Mr. Cox and unanimously approved.

The Board discussed the district 10 vacancy and the possibility of reducing the Board to nine members. This action requires a bylaw change under Article IV – Directors – Section I and Section II. Following discussion, Mr. Franklin made a motion to approve the bylaw change to downsize the Board to nine members. The motion was seconded by Mr. Cox and passed with two opposing votes.

Mr. Cox made a motion to redistrict from 10 to 9 districts by using the number of members per district. The motion was seconded by Mr. Williamson and passed.

The Board discussed director age limit (currently 77), term limits, and term length. Mr. McKelfresh reported that the REMC Act does not allow for director terms to be more than three years. Following discussion, Mr. Cox made a motion to approve a bylaw change to eliminate the director age limit of 77 (director terms and term length will remain the same).

The motion was seconded by Mr. Pheifer and unanimously approved.

Attorney Report: Mr. Schultz gave the Attorney's Report first reviewing Board Policies 1-1 (Mission Statement), 1-2 (Development of Board Policies), 1-3 (Organizational Plan and Structure), and 1-4 (Nondiscrimination Policy) – recommending no changes.

He further reviewed proposed changes to Board Policy 2-6 (Committees of the Board of Directors) recommending changes to reflect the new committee structure. It was also recommended to add the Fiber Committee as a standing committee. Following review, Mr. Pheifer made a motion to approve the policy as amended. The motion was seconded by Mr. Cox and approved. Mr. Schultz also reported on various ongoing projects.

President & CEO's Report: Mr. McKelfresh gave the CEO's Report asking if there were any questions regarding the written departmental reports. He further discussed a recent fatality at WIN Energy, General Shale shutting down for a month for maintenance, upcoming meetings, and the Special Board Meeting to be held February 11, 2017, at 9:00 am at the REMC office.

Thereafter, Mr. Franklin made a motion to accept the President and CEO's Report. The motion was seconded by Mr. Williamson and passed.

Financial Reports: Mr. McKelfresh reported that the December year-end financial reports will be available upon completion of the annual audit.

The Board then considered the write-off to bad debt for December 2016 in the sum of \$8,666.61. Mr. Pheifer made a motion to accept the write-off to bad debt in the above amount for December 2016. The motion was seconded by Mr. Cox and passed.

Hoosier Energy: Mr. Pheifer reported on the January Hoosier Energy Board Meeting.

Indiana Electric Cooperatives (IEC): There was not an IEC Meeting in January. Mr. Peden reported that he would not be able to attend the February 15, 2017, IEC Meeting. Director Lisa Prosser indicated that she would like to attend in Mr. Peden's absence. Mr. Pheifer made a motion to appoint Director Lisa Prosser to attend the February 2017 IEC meeting in the absence of Mr. Peden. The motion was seconded by Mr. Franklin and passed.

C6 Partners: Mr. Hamlin reported on the recent meeting of the C6 Partners where the group continued to discuss shared services.