

JO-CARROLL ENERGY, INC. (NFP)
Board Meeting Minutes Summary
January 29, 2015

The board met on Wednesday, January 29, 2015, at the Jo-Carroll Energy Headquarters. The following is a summary of the meeting activities. The Agenda and the Consent Agenda were approved.

Chairman's Report – Chairman Senn commented on the Cooperative should continue to embrace technology, as well as new sources of power, in order to meet the needs of the Members. Going forward, communication with Members will be the most important aspect of dealing with changes in the energy industry.

Dairyland Report – Director Stadel reported on the Dairyland financials, noting that margins are above budget for the year-to-date.

AIEC Report - Director Senn reported the Association does not have a sense yet of what the new governor will have in-store for our industry and whether he will be responsive to the needs of rural energy cooperatives.

APGA Report – Director Carroll provided a report on the APGA board and committee meetings that he recently attended. Some of the topics covered at the meetings included regulatory filings, residential furnaces, and hydraulic fracturing.

PPI Report – Director Hallendorff and CEO Hastings reported on the PPI Board Meeting. Director Hallendorff reported on the Prairie State plant's performance improvement.

Monthly Committee Review

(a) Policy Report – Policy 136 – Member Rates-Request for Different Rates.

Policy 136 was approved as presented.

(b) Policy Committee Report - Director Smith reported on the following Bylaw Revisions reviewed at the Committee Meeting:

(i) Joint Membership: Article II, Section 4 “Joint Membership” was updated to conform to recent Illinois laws regarding same-sex marriage and civil unions.

(ii) Termination of Membership: Article II, Section 8(a) was amended to further clarify how the Cooperative will provide notice to a Member in the unlikely event of termination of their membership.

(iii) Conflict of Interest – Directors/Candidates: Article IV, Section 4(d) was amended to include a provision that a conflict of interest exists for current directors, as well as director candidates within the 1 year preceding their election, if they are a party in legal proceedings against the Cooperative. Discussion was had among the directors, noting that in the event of such a conflict, the board would still have to take separate actions to resolve the issue and it would not automatically disqualify someone from serving as a director.

(iv) Election and Credentials Committee: Article IV, Section 5(n) was amended to expand the eligibility of Members to serve on the Election and Credentials Committee.

(v) Electronic Delivery of Meeting Notice: Article V, Section 3 “Notice” was amended to provide for electronic delivery of notices to directors for special meetings of the board.

The board approved the recommended changes in the Bylaws for a vote by the Membership at the next Annual Meeting of the Cooperative.

Director Smith also reported on the following:

Board Policy 135 – Prepayment of Capital Credits to Estates was revised to simplify the language of the policy and to align it with the hybrid retirement method that was approved by the Members and implemented by the board. Policy 135 was approved as revised.

Reducing the Numbers of Directors on the Board: The committee discussed possible outcomes of reducing the number of directors on the board. It was the decision of the committee to not make any recommendation to the board at this time.

Member Districts: The committee discussed the future size and composition of districts within the Cooperative, based on the new District 10 and broadband-only Members. The board adopted the committee's recommendation that the board direct the President and CEO begin to work on a proposal for the board with regard to Member Districts.

CEO's Report - The CEO reported on the following in addition to his written report:

- a. **Financial Operating Report** – Hastings reported that the Cooperative had an unaudited loss of over \$2 million dollars for 2014, but noted that \$1.8 million of that loss represents the deferral of revenue from 2014 to 2015, pursuant to a Board Resolution in December. The board accepted the December Financial Operating Report for filing by general consent.
- b. **Power Supply Report** - CEO Hastings reported that we are getting close to finalizing agreements with Morgan Stanley on amending the PPA beginning in 2018. Work also continues on the capacity agreement with Dairyland for the PPA.
- c. **Rentech Report** – CEO Hastings reported that a meeting is scheduled with Rentech.
- d. **CFO Report** – Vice President and Chief Financial Officer Heidenreich reported that there were issues with natural gas capital credit retirements and that we are working with SEDC to resolve them. The CFO also reported on the Post Retirement Benefits Evaluation Report.
- e. **Sr. Vice-President and Assistant General Manager Report** – Sr. Vice President and Assistant General Manager Buros reviewed the status of strategic planning with the board. Buros also updated the board on the East Dubuque Substation and the status of possible facility expansion.
- f. **Culture of Excellence and Communications** – Merri Sevey, Vice-President of Human Resources reported that Mike Tate, Strategic Planning Consultant, would be at Jo-Carroll Energy in February and that she would be working with him on succession planning.
- g. **Member Services** – Jennifer Skien, Vice-President of Member Services, gave a summary of upcoming energy efficiency programs at the Cooperative.
- h. **External Affairs Update** – Chris Allendorf, Corporate Counsel, and John Cox, Board Attorney, reported on a number of legislative issues, including the State's pension crisis and the political climate in Illinois under a new governor. Allendorf reported on several new businesses that Lisa McCarthy, Executive Director of TCEDA, continues to assist. Attorney Cox gave an update on the Campbell Center and a meeting with Congresswoman Bustos.

Board Issues

- a. **Strategic Planning Meeting Date** – By consensus, the board chose June 29, 30 and July 1st as the dates for the 2015 Strategic Planning sessions.
- b. **2015 Annual Meeting theme & Report Cover** - Peggy Francomb, Manager of Communications and Media Relations, presented two choices for the report cover of the 2015 Jo-Carroll Energy Annual Meeting Booklet. A cover with a group of Members and employees on it received the board's approval.

- c. **Approve Names of Nominees for the Election Committee** - Names submitted for the Election Committee by Directors Holesinger, Senn, Smith, Darby, Kuhns, and Hallendorff were approved.
- d. **NRECA Course 901.1- Rules and Procedures for Effective Board Meetings** – Attendees were identified.
- e. **July Board Meeting Date** - The board discussed changing the date for the July Board Meeting and it was the unanimous consensus to leave the July Board Meeting date as July 22, 2015.

Executive Session – An Executive Session was held to discuss pending and possible litigation and employment matters.

Consideration of Matters discussed in Executive Session -There were no votes taken on matters discussed in Executive Session.

Reports – Report was heard on NRECA Course 2600.1 – Director Duties and Liabilities.

Upcoming Meetings – The following meeting/events were discussed: NRECA Course 2610.1, Dairyland District Meeting, and NRECA Annual Meeting.

Other Business – Conflict of Interest Forms and copies of Directors current vehicle insurance coverage/certificates were submitted.

Adjournment – The meeting was adjourned at 11:50 A.M.