

MINUTES OF MEETING OF APRIL 26, 2011

The regular meeting of the Board of Directors of Southwest Tennessee Electric Membership Corporation was held in the office of the Cooperative in Brownsville, Tennessee, on Tuesday, April 26, 2011, at 1:30 pm.

All the Directors were present except David McDaniel. Also present were Kevin Murphy, Pat Mann and Scott Sims.

James Rose, Chairman, presided over the meeting.

Audrey Blue, Secretary-Treasurer, kept the minutes of the meeting.

The Board next discussed the Consent Agenda and upon motion of Allen King, seconded by Norma Turner, the March minutes were approved with a correction to the amount of excess receipts, the May writeoffs in the amount of \$18,383.44 were approved, and the vendor payment list and the comparative statement were reviewed and discussed. The President reported a positive margin of \$373,555.69.

Scott Sims next discussed changing the Cooperative's bank accounts from Regions Bank to First State Bank which has branches in all locations except Chester County. After discussion and upon motion of Allen King, seconded by Hugh Harvey, the following resolution was adopted.

RESOLUTION SELECTION OF BANK

WHEREAS, Southwest Tennessee Electric Membership Corporation (Corporation) is organized and existing under and by virtue of the laws of the State of Tennessee as a corporation, with its principal office at P.O. Box 959, Brownsville, TN 38012; and

WHEREAS, Southwest Tennessee Electric Membership Corporation intends to open one or more accounts with First State Bank; and

WHEREAS, the Financial Institution of First State Bank, 25 Grand Avenue S., Brownsville, TN 38012, at any one or more of its offices or branches, be and it hereby is designated as a depository for the funds of Southwest Tennessee Electric Membership Corporation, which may be withdrawn on checks, drafts, advices of debt notes or other orders for the payment of monies bearing the following appropriate number of signatures: Any two (2) of the following named officers or employees of this Corporation ("Agents"),

whose actual signatures are shown below:

James Rose, Chairman

Audrey Blue, Secretary-Treasurer

Kevin Murphy, President

Scott Sims, VP of Finance & Accounting

and that the Financial Institution shall be and is authorized to honor and pay the same whether or not they are payable to bearer or to the individual order of any Agent or Agents signing the same; and

WHEREAS, the Financial Institution is hereby directed to accept and pay without further inquiry any item drawn against any of the Corporation's accounts with the Financial Institution bearing the signature or signatures of Agents, as authorized above or otherwise, even though drawn or endorsed to the order of any Agent signing or tendered by such Agent for cashing or in payment of the individual obligation of such Agent or for deposit to the Agent's personal account, and the Financial Institution shall not be required or be under any obligation to inquire as to the circumstances of the issue or use of any item signed in accordance with the resolutions contained herein, or the application or disposition of such item or the proceeds of the item; and

WHEREAS, any one of such Agents is authorized to endorse all checks, drafts, notes and other items payable to or owned by this Corporation for deposit with the Financial Institution, or for collection or discount by the Financial Institution; and to accept drafts and other items payable at the Financial Institution;

WHEREAS, the above named agents are authorized and empowered to execute such other agreements, including, but not limited to, special depository agreements and arrangements regarding the manner, conditions, or purposes for which funds, checks, or items of the Corporation may be deposited, collected or withdrawn and to perform such other acts as they deem reasonably necessary to carry out the provisions of this resolution.

THEREFORE, BE IT RESOLVED, that the authority hereby conferred upon the above named Agents shall be and remain in full force and effect until written notice of any amendment or revocation thereof shall have been delivered to and received by the Financial Institution at each location where an account is maintained. Financial Institution shall be indemnified and held harmless from any loss suffered or any liability incurred by it in continuing to act in accordance with this resolution. Any such notice shall not affect any items in process at the time notice is given.

BE IT FURTHER RESOLVED, that the persons named above occupy the positions set forth opposite their respective names and signatures; that the foregoing resolution now stands of record on the books of the Corporation; that they are in full force and effect and have not been modified in any manner whatsoever.

The President next stated that it was time to select the Credentials and Election Committee for the upcoming Annual Members Meeting and upon motion of Norma Turner, seconded by Allan Ferguson, the Board agreed to keep the present members on the committee.

Scott Sims next recommended to the Board that since First State Bank does not have a branch in Chester County, the Chester County Bank be selected for Cooperative banking needs in that area.

After discussion and upon motion of Allen King, seconded by W. B. McKinnon, the following

resolution selecting the Chester County Bank for banking needs in that area was adopted.

**RESOLUTION
SELECTION OF BANK**

WHEREAS, Southwest Tennessee Electric Membership Corporation (Corporation) is organized and existing under and by virtue of the laws of the State of Tennessee as a corporation, with its principal office at P.O. Box 959, Brownsville, TN 38012; and

WHEREAS, Southwest Tennessee Electric Membership Corporation intends to open one or more accounts with Chester County Bank; and

WHEREAS, the Financial Institution of Chester County Bank, 224 West Main Street, Henderson, TN 38340, at any one or more of its offices or branches, be and it hereby is designated as a depository for the funds of Southwest Tennessee Electric Membership Corporation, which may be withdrawn on checks, drafts, advices of debt notes or other orders for the payment of monies bearing the following appropriate number of signatures: Any two (2) of the following named officers or employees of this Corporation ("Agents"), whose actual signatures are shown below:

James Rose, Chairman

Audrey Blue, Secretary-Treasurer

Kevin Murphy, President

Scott Sims, VP of Finance & Accounting

and that the Financial Institution shall be and is authorized to honor and pay the same whether or not they are payable to bearer or to the individual order of any Agent or Agents signing the same; and

WHEREAS, the Financial Institution is hereby directed to accept and pay without further inquiry any item drawn against any of the Corporation's accounts with the Financial Institution bearing the signature or signatures of Agents, as authorized above or otherwise, even though drawn or endorsed to the order of any Agent signing or tendered by such Agent for cashing or in payment of the individual obligation of such Agent or for deposit to the Agent's personal account, and the Financial Institution shall not be required or be under any obligation to inquire as to the circumstances of the issue or use of any item signed in accordance with the resolutions contained herein, or the application or disposition of such item or the proceeds of the item; and

WHEREAS, any one of such Agents is authorized to endorse all checks, drafts, notes and other items payable to or owned by this Corporation for deposit with the Financial Institution, or for collection or discount by the Financial Institution; and to accept drafts and other items payable at the Financial Institution;

WHEREAS, the above named agents are authorized and empowered to execute such other agreements, including, but not limited to, special depository agreements and arrangements regarding the manner, conditions, or purposes for which funds, checks, or items of the Corporation may be deposited, collected or withdrawn and to perform such other acts as they deem reasonably necessary to carry out the provisions of this resolution.

THEREFORE, BE IT RESOLVED, that the authority hereby conferred upon the above named Agents shall be and remain in full force and effect until written notice of any amendment or revocation thereof shall have been delivered to and received by the Financial Institution at each location where an account is maintained. Financial Institution shall be indemnified and held harmless from any loss suffered or any liability incurred by it in continuing to act in accordance with this resolution. Any such notice shall not affect any items in process at the time notice is given.

BE IT FURTHER RESOLVED, that the persons named above occupy the positions set forth opposite

their respective names and signatures; that the foregoing resolution now stands of record on the books of the Corporation; that they are in full force and effect and have not been modified in any manner whatsoever.

Scott Sims next presented a report on the present RUS loans and recommended to the Board that the loans be refinanced through CoBank . After discussion and upon motion of Allen King, seconded by Claire Marshall, the board adopted the following resolution to refinance the RUS loans through CoBank.

**RESOLUTION
REFINANCING LOANS WITH COBANK**

WHEREAS, it has been determined to be advantageous to Southwest Tennessee Electric Membership Corporation to refinance the following RUS loans through CoBank:

RUS Loans: 1B180, 1B182, 1B190, 1B192, 1B200, 1B203, 1B210, 1B213, 1B220, 1B226 and 1B227
with a current principal balance to be refinanced of \$8,992,635.88

NOW, THEREFORE BE IT RESOLVED, That Southwest Tennessee Electric Membership Corporation makes application to CoBank for a loan in the approximate amount of \$8,992,635.88, to refinance the above mentioned RUS loans; and

BE IT ALSO RESOLVED, That the CoBank note shall bear a maturity date to cover a period of ten (10) years and shall provide for repayment of the loan in periodic installments, including interest and principal payments, which are equal in amount to every other such periodic installment (level payment method).

BE IT FURTHER RESOLVED, That the Board of Directors of Southwest Tennessee Electric Membership Corporation authorizes its officers to execute and attest all necessary papers, documents and applications related to the foregoing, including a Forward Fix Agreement to lock in the interest rate of the loan; and

BE IT FURTHER RESOLVED, That Southwest Tennessee Electric Membership Corporation hereby authorizes RUS and CoBank to release appropriate information and data relating to the application to any existing supplemental lenders; and

BE IT FURTHER RESOLVED, That the Board of Directors of Southwest Tennessee Electric Membership Corporation hereby authorizes a \$1,000.00 initial capital investment in CoBank.

The President next discussed the safety deposit box at Regions Bank and stated that the agents for access needed to be changed. Upon motion of Hugh Harvey, seconded by Claire Marshall, the following resolution changing the agents for said safety deposit box was adopted.

**RESOLUTION
CERTIFICATION OF AGENTS FOR ACCESS TO SAFETY DEPOSIT BOX**

WHEREAS, Southwest Tennessee Electric Membership Corporation (Corporation) is organized and existing under and by virtue of the laws of the State of Tennessee as a corporation, with its principal office at P.O. Box 959, Brownsville, TN 38012; and

WHEREAS, Southwest Tennessee Electric Membership Corporation is the account holder of one safety deposit box # 61, located at Regions Bank, 1028 E. Main Street, Brownsville, Tennessee; and

WHEREAS, Jack Fox, President and Jo-Nita Douglas, Vice President of Finance and Accounting, were designated agents and since they are no longer employed by the Corporation, should be removed as Agents; and

WHEREAS, Southwest Tennessee Electric Membership Corporation hereby designates and authorizes the following two (2) named officers or employees of this Corporation ("Agents"), whose actual signatures are shown below:

J. Kevin Murphy, President

Scott Sims, Vice President Finance & Accounting

and that the Financial Institution shall be and is authorized to honor and allow access to said safety deposit box #61 to any Agent or Agents signing the same;

THEREFORE, BE IT RESOLVED, that the authority hereby conferred upon the above named Agents shall be and remain in full force and effect until written notice of any amendment or revocation thereof shall have been delivered to and received by the Financial Institution where the safety deposit box is maintained. Financial Institution shall be indemnified and held harmless from any loss suffered or any liability incurred by it in continuing to act in accordance with this resolution.

BE IT FURTHER RESOLVED, that the persons named above occupy the positions set forth opposite their respective names and signatures; that the foregoing resolution now stands of record on the books of the Corporation; that they are in full force and effect and have not been modified in any manner whatsoever.

Scott Sims next presented a report on the need for a line of credit with the National Rural Utilities Finance Corporation and upon motion of Allen King, seconded by W. B. McKinnon, the following resolution was adopted.

CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, Audrey Blue, do hereby certify that (i) I am the Secretary-Treasurer of Southwest Tennessee Electric Membership Corporation (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on April 26, 2011; (iii) the meeting was duly and regularly called and held in accordance with the bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the loan documents were submitted to the meeting and were authorized by the board of directors to be executed; (vi) none of the following resolutions has been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the loan documents:

RESOLVED, that the Cooperative establish a line of credit and authorize borrowing from National Rural Utilities Cooperative Finance Corporation ("CFC") in the amount which shall not at any one time exceed \$2,000,000.00 (the "Line of Credit Amount"), for a term of twelve (12) months, which period shall automatically renew for

successive twelve (12) month periods, subject to the provisions of the Line of Credit Agreement substantially in the form submitted to this meeting (the "Line of Credit Agreement"); and

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the Line of Credit Agreement.

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Line of Credit Agreement as such individual may deem appropriate within the Line of Credit Amount so authorized and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

James Rose, Chairman

Audrey Blue, Secretary-Treasurer

J. Kevin Murphy, President

Scott Sims, VP of Finance & Accounting

The President next stated that there would be a ribbon cutting on Friday, April 29, 2011 for the re-opening of the Tipton Substation. No action was required by the Board.

Hugh Harvey next reported there was an article in the Jackson Sun thanking the Southwest crews for all their hard work during the storms of April and May.

Claire Marshall next reported on an article in the Covington Leader concerning the Megasite. No action was required by the Board.

There being no further business to come before the Board, the meeting was duly and regularly adjourned.

Secretary-Treasurer

APPROVED:

Chairman