

**MINUTES OF REGULAR BOARD MEETING
OF
HOLY CROSS ENERGY**

FEBRUARY 17, 2010

A regular meeting of the Board of Directors of Holy Cross Electric Association, Inc., a/k/a Holy Cross Energy (hereinafter called "Holy Cross"), a Colorado corporation, was held at the main office at 3799 Highway 82 in Garfield County, Colorado, at 9:00 a.m. on February 17, 2010.

The Secretary reported that six of the seven directors were present, being Thomas R. Turnbull, George H. Shaeffer, Robert F. Starodoj, Michael A. Glass, Lynn E. Dwyer and Adam L. Palmer. Director Harold F. Clark was absent. Director Emeritus George S. Lamb was also present. Staff attending included Chief Executive Officer Delvan D. Worley, General Manager of Electric Operations and Engineering Richard Brinkley, General Manager of Support Services Tim Charlton and general legal counsel Randolph W. Starr. Also present were Pat Bennett, Holy Cross employee, and Scott Condon, Holy Cross member.

President Turnbull adjourned the meeting of the Board of Directors originally convened on January 20, 2010, which had been continued until today's meeting.

Upon motion duly made by Director Dwyer, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the minutes of the regular meeting of the Board held January 20, 2010, be approved.

A list of accounts payable was presented. After discussion, and upon motion duly made by Director Shaeffer, seconded, put to a vote and unanimously carried, the following resolution was adopted: **RESOLVED** that the list of accounts payable be approved, and the payment of all items thereon be directed, approved and ratified.

President Turnbull directed that said list be identified by the Secretary as that acted upon at this meeting.

The Board then reviewed the Treasurer's Report for January 31, 2010, presented by Director Glass. After discussion and upon motion duly made by Director Dwyer, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Treasurer's Report be accepted.

The Board then reviewed the Safety Report for February 2010, and the minutes for the Safety Operating Committee meeting, dated February 11, 2010. Mr. Brinkley explained further about the matters identified in the minutes of the meeting. After discussion, and upon motion duly made by

Director Starodoj, seconded, put to a vote and unanimously carried, the following resolution was adopted: **RESOLVED** that the minutes of the Safety Operating Committee dated February 11, 2010, be accepted.

President Turnbull introduced Pat Bennett, Equipment Operator at the Glenwood Springs facility, and recognized him for his 40 years of service to Holy Cross. President Turnbull presented an award to Mr. Bennett. At the conclusion of the presentation Mr. Bennett left the Board Room.

Attorney Randolph W. Starr of the law firm of Starr & Westbrook, P.C. reported on pending litigation and other matters. During the report Steve Casey, Member Services and Marketing Administrator, entered the Board Room. Discussion ensued about the draft of a proposed Board policy regarding the meetings of the Board of Directors. By consensus Management was directed to add the draft of the Board policy to the agenda for the March Board Meeting. Attorney Starr will draft a policy regarding emails among Board members for review.

Mr. Casey discussed the 2010 WECARE budget allocation and WECARE rebates. He had previously distributed memoranda dated February 4 and February 12, 2010, that contained recommended changes in the WECARE rebate program and discussed a change in the rebate amount for funding of renewable energy generation systems. Questions by the Board members were asked and answered and discussion

ensued. Upon motion duly made by Director Palmer, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that the Staff's WECARE budget allocation for 2010 and the Staff's proposed change in renewable rebates move from \$1.50 per watt to \$1.00 per watt for systems up to 6 kW in size be approved.

At this time Mr. Casey and Mr. Condon left the Board Room.

At this time a short break was taken. Marilyn Dorman, Accounting Supervisor, and Michael Whiddon, Accountant, entered the Board Room during the break.

Mr. Charlton presented the 2010 Financial Work Plan. Lengthy discussion among the Board and Mr. Charlton and Mr. Worley ensued. Upon motion duly made by Director Dwyer, seconded, put to a vote and unanimously carried, the following resolution was adopted:

RESOLVED that 2010 Financial Work Plan was accepted as presented.

At this time Ms. Dorman and Mr. Whiddon left the Board Room.

After presentation by Mr. Charlton and discussion among the Board, upon motion duly made by Director Glass, seconded, put to a vote and unanimously carried, the following resolutions were adopted:

1. **RESOLVED** that the Corporation borrow from the Federal Financing Bank ("FFB") an amount not to exceed \$21,171,000.00, to be guaranteed by the United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"); and
2. **RESOLVED** that the Corporation accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth; and
3. **RESOLVED** that the President is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:
 - (a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
 - (b) a note payable to FFB and guaranteed by RUS in the principal amount of \$21,171,000.00, substantially in the form of the FFB note submitted to this meeting; and
 - (c) the note payable to the Government, acting through the Administrator of RUS, substantially in the form of the Reimbursement Note submitted to this meeting; and
 - (d) as many counterparts as shall be deemed advisable of a Supplemental Mortgage by and among the Corporation, the Government and National Rural Utilities Cooperative Finance Corporation, which, among other things, pledges all of the Corporation's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$275,000,000.00 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and
4. **RESOLVED** that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

5. **RESOLVED** that the Chief Executive Officer, President, Vice President, Secretary and Treasurer, and any official(s) authorized to act in such corporate position(s) and to perform the functions of such position(s) are authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments.

At this time a luncheon break was taken.

Barry Croissant, Supervisor of Purchasing and Facilities, entered the Board Room and gave his report on the status of the campus expansion and other current activities in addition to his written report of February 11, 2010. At the conclusion of his report he left the Board Room.

President Turnbull discussed the arrangements for the upcoming Board Strategic Planning Meeting on March 8, 2010.

Mr. Charlton reported on matters under his supervision. Discussion ensued about how to present the issue regarding voting for directors by district to the members. Staff will draft a list of important points to consider on the issue that can be published to the members.

Director Glass gave a report on Colorado Rural Electric Association matters.


Director Glass gave a report on Western United Electric Supply Corporation matters.

Mr. Brinkley reported on matters under his supervision in addition to his written report of February 11, 2010. He discussed current engineering issues, current electric operations issues, the status of the Eagle franchise and other matters. Mr. Brinkley reviewed the system outage report for January 2010.


Mr. Worley reported on matters under his supervision in addition to his written report of February 11, 2010.

Directors stated that the miles actually and necessarily traveled in attending this meeting were as follows: Turnbull 28, Shaeffer 75, Starodoj 80, Glass 106, Dwyer 40, Palmer 60 and Lamb 66.

President Turnbull recessed the meeting at 3:04 p.m. on February 17, 2010.

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Secretary - Robert F. Starodoj

APPROVED:

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President - Thomas R. Turnbull

NOTE: The 2010 Board Meeting dates have been set as follows: March 17, 2010, April 21, 2010, May 19, 2010, June 5, 2010, June 16, 2010 (reorganization + regular agenda), July 21, 2010, August 18, 2010, September 15, 2010, October 20, 2010, November 17, 2010 and December 15, 2010. The Annual Meeting of Members for 2010 will be at the Ramada Inn in Glenwood Springs on Saturday, June 5, 2010, at 10:00 a.m.