

**SPECIAL MEETING OF THE BOARD OF DIRECTORS
KAUAI ISLAND UTILITY COOPERATIVE**

Held at 4463 Pahe'e Street
Līhu'e, Kaua'i, Hawai'i
On March 30, 2016

MINUTES

Call to order at 1:06 pm.

1. Roll Call

- 1.1. **Present:** Directors Jan TenBruggencate (Chairman), Carol Bain, Karen Baldwin (by phone), Dennis Esaki, Patrick Gegen, David Iha, Teofilo Tacbian (Secretary), and Peter Yukimura (Treasurer); and David Bissell (President and CEO). A quorum of directors was present.
- 1.2. **In attendance:** Laurel Loo (General Counsel), Jim Kelly (Member Services/Communications Mgr.) Corinne Cuaresma (Controller), Timothy Blume (Regulatory Affairs Mgr.), Kathleen Chin (Executive Administrator); Members of the public (0), and Members of the Press (0).
- 1.3. **Excused:** Director Calvin Murashige (Vice Chair)

2. Approval of Agenda - The agenda was approved as circulated.

3. Public Testimony - None

4. New Business.

4.1. Discussion and authorization of:

- a) Intent to notify RUS of prepayment of RUS Qualified Notes and the selection of the refinance provider (Board Resolution 01-16) and
- b) The execution of a \$25M unsecured line of credit and selection of the line of credit finance provider (Board Resolution 02-16).

4.1.1. CEO David Bissell presented a review of the RUS Qualified Notes being considered for prepayment, the refinance process, explained the reasons for consideration, and potential lenders. (see presentation attached)

5. Executive Session. At 1:18 p.m. the Board entered into an Executive Session closed to the public on matters limited to those specified in Section II. A. 2. of Board Policy No. 16. The items to be discussed in the Executive Session were proposals of the refinance providers and line of credit finance providers and are matters of a proprietary or financial nature, public disclosure of which could affect on-going or potential negotiations or legal or administrative proceedings.

The Board reconvened the open session of the meeting at 1:44 p.m.

6. **New Business** (continued)

6.1. **Board Resolution 01-16**

6.1.1. Intent to notify RUS of prepayment of RUS Qualified Notes and the selection of CFC as the refinance provider.

6.1.2. A motion to approve Resolution 01-16 passed 8-0-1. [Gegen/Bain]

| | | |
|-----------|---|-----------|
| IN FAVOR: | Bain, Baldwin, Esaki, Gegen, Iha, Tachian, TenBruggencate & Yukimura | Total – 8 |
| OPPOSED: | None | Total – 0 |
| EXCUSED: | Murashige | Total – 1 |

6.2. **Board Resolution 02-16**

6.2.1. The approval and execution of a \$25M unsecured line of credit and the selection of CoBank as the line of credit finance provider.

6.2.2. A motion to approve Resolution 02-16 passed 8-0-1.[Baldwin/Gegen]

| | | |
|-----------|---|-----------|
| IN FAVOR: | Bain, Baldwin, Esaki, Gegen, Iha, Tachian, TenBruggencate & Yukimura | Total – 8 |
| OPPOSED: | None | Total – 0 |
| EXCUSED: | Murashige | Total – 1 |

7. **Adjournment.** There being no further business, the motion to adjourn the meeting carried. The meeting was adjourned at 1:49 p.m.



Teofilo Tachian
Board Secretary

RUS Refinancing

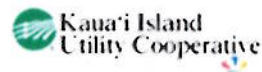
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KIUC Loans – Existing

- \$132.8 million of RUS direct loans outstanding as of 3/31/16
 - Remaining balance of KIUC original acquisition loan of \$215 million from 2002
- \$95 million of FFB debt (which is guaranteed by RUS) outstanding
 - Financed purchase of Kapaia Power Station, Anahola Solar, and general work plan items
- \$3 million is with CFC for Koloa Solar

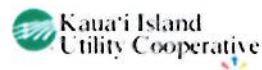
RUS Notes

- ▶ \$132 million of RUS direct notes can be prepaid and refinanced without penalty from RUS
 - FFB notes require a prepayment penalty
- ▶ RUS Notes have 11 year remaining life
- ▶ At today's rates KIUC would expect to save about \$10 million in interest
 - Reducing total remaining interest payment from \$30 million to about \$20 million
- ▶ Under current ratemaking this would save members over \$20 million in rates



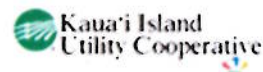
Eligible RUS notes

| Loan Designation Code | Account Number | Original Advance Date | Loan Maturity Date | Original Advance Amount | Current Principal Balance | Interest Rate |
|-----------------------|----------------|-----------------------|--------------------|-------------------------|---------------------------|---------------|
| A41-1B010 | RET-1-5 | Nov-02 | Oct-27 | 10,750,000 | 6,295,927.0 | 0.875% |
| A41-1B011 | RET-1-1 | Nov-02 | Oct-27 | 21,500,000 | 12,749,924.0 | 0.875% |
| A41-1B012 | RET-1-2 | Nov-02 | Oct-27 | 21,500,000 | 12,711,806.0 | 3.125% |
| A41-1B013 | RET-1-3 | Nov-02 | Oct-27 | 32,250,000 | 19,024,435.0 | 1.625% |
| A41-1B014 | RET-1-4 | Nov-02 | Oct-27 | 21,500,000 | 13,436,511.0 | 4.375% |
| A41-1B015 | RET-1-6 | Nov-02 | Oct-27 | 107,500,000 | 68,607,947.0 | 4.875% |
| | | | | 215,000,000 | 132,826,550 | |



Refinance Process

- ▶ KIUC notifies RUS of intent to Prepay
 - Obtain KIUC board resolution to prepay the debt. Send letter to RUS expressing interest in refinancing. Wait 30 days
- ▶ File application with PUC.
 - 30-45 days approval anticipated but not guaranteed
- ▶ Upon PUC approval we hopefully have received RUS acknowledgement of request and are waiting for approval to refinance letter
- ▶ Upon receipt of approval letter we schedule closing date with RUS.



Other Items

- ▶ KIUC will remain an RUS borrower and eligible for RUS guaranteed loans through Federal Finance Bank (FFB)
- ▶ KIUC will be ineligible for 10 years to borrow using RUS direct loans "municipal rate loans"
 - These loans have not been funded by RUS for years
- ▶ Interest rates and related refinancing rates will vary until close date or rate lock date
- ▶ Rate lock is available for 90 days and could be executed immediately



Lenders

- KIUC has received refinancing termsheets from CFC and CoBank
- Both have extensive experience in refinancing RUS debt
- Both are willing to refinance entire \$132.8 million of eligible debt

