

LUMBEE RIVER ELECTRIC MEMBERSHIP CORPORATION
Minutes of the Regular Meeting of the
Board of Directors
April 16, 2024

Pursuant to due notice thereof, a meeting of the Board of Directors of the Lumbee River Electric Membership Corporation was held at the Corporation's headquarters in Pembroke, North Carolina, beginning at 5:30 p.m., Tuesday, April 16, 2024. Directors present in person were Chairman Rory Eddings, James Hardin, Mary Beth Locklear, Ronald Anderson, Ronald G. Hammonds, Sharon M. Burnette, Anthony Hunt, Secretary Elaine O. Chavis, Vice Chairman Roger Oxendine, Erice Locklear, Treasurer Kirk Lowery, Sherry Carter and Rhonda Goins Dial. Also present were the President and CEO Jonathan T. Locklear, and Grady Hunt representing Hunt & Brooks, the Corporation's general counsel.

Also present were the VP of Member Service & Community Relations Ruby Clark Quick, Executive Assistant Kim Chavis, VP of Eng. & Operations Matt Epps, Chief Operations Officer John Dyson, Director of Corporate Safety Mark Walters, Vice President of Human Resources Marie Hussey, Joshua Locklear, Manager of Key Accounts and Vice President of Information Technology, Craig Davis. Chief Financial Officer Daniel Leonard was not present.

Chairman called the meeting to order and prayer was said by Anthony Hunt.

1. A MOTION WAS DULY MADE BY BOARD MEMBER JAMES HARDIN AND WAS PROPERLY SECONDED AND THE BOARD APPROVED TO ADD LRDA REQUEST FOR HOMECOMING AS ITEM 8F ON THE AGENDA IN EXECUTIVE SESSION. THE VOTE WAS CARRIED UNANIMOUSLY.

A MOTION WAS DULY MADE BY BOARD MEMBER ERICE LOCKLEAR AND WAS PROPERLY SECONDED AND THE BOARD ADOPTED THE AGENDA AS AMENDED. THE VOTE WAS CARRIED UNANIMOUSLY.

2. Jeff Brown, CEO of Sandhills Utility Services, LLC provided the Board an update on the company. (See attached "Exhibit A")
3. A MOTION WAS DULY MADE BY BOARD MEMBER ANTHONY HUNT AND WAS PROPERLY SECONDED AND THE BOARD APPROVED THE MINUTES FOR THE MARCH 25, 2024 REGULAR BOARD MEETING. THE VOTE WAS CARRIED UNANIMOUSLY.
4. A MOTION WAS DULY MADE BY BOARD MEMBER ROGER OXENDINE AND WAS PROPERLY SECONDED AND THE BOARD APPROVED THE MINUTES FOR THE APRIL 18, 2024 POLICY COMMITTEE MEETING. THE VOTE WAS CARRIED UNANIMOUSLY.
5. Mr. Mark Walters presented the Safety Report for the month of March 2024. Mr. Walters noted that there were no incidents reported for March 2024. A MOTION WAS DULY MADE BY BOARD MEMBER ROGER OXENDINE AND WAS PROPERLY SECONDED AND THE BOARD APPROVED THE MARCH 2024 SAFETY REPORT. THE VOTE WAS CARRIED UNANIMOUSLY.



SANDHILLS UTILITY SERVICES, LLC

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2023

Auditors' Report

- Plan and perform our audit to obtain **reasonable assurance** about whether the financial statements are **free of material misstatement**.
- Unqualified opinion - a clean report
- Other items to communicate
 - No identified or suspected fraud
 - No significant difficulties encountered during the audit
 - Management corrected all material misstatements
 - No disagreements with management

Financial Summary



Unrestricted Cash: \$6,814,544
 Securities: \$10,743,729 (excludes cash portion)
 Revenue: \$13,009,167
 Operating Income: \$1,857,659
 Net Income: \$3,732,842
 Distributions: \$2,800,000
 Members' Capital: \$18,322,864

BALANCE SHEETS: TOTAL ASSETS

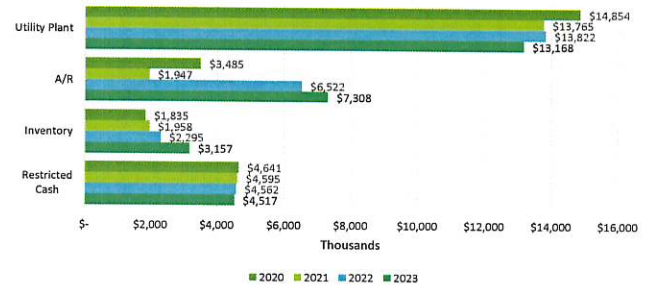
AS OF DECEMBER 31, 2023
AND 2022

	2023	2022
ASSETS:		
UTILITY PLANT:		
Utility plant in service	\$ 24,556,414	\$ 24,311,607
Construction work-in-progress	2,197,137	1,380,344
Accumulated depreciation	(11,388,445)	(10,489,139)
Total utility plant - net	15,365,106	15,202,812
CURRENT ASSETS:		
Cash and cash equivalents	6,814,544	6,009,297
Accounts receivable	7,307,820	6,521,906
Inventory	3,156,631	2,294,587
Prepayments and other current assets	397,219	309,654
Total current assets	17,676,214	15,135,444
OTHER ASSETS:		
Investment in marketable equity securities	10,743,729	10,519,896
Cash - restricted	4,516,660	4,562,375
Prepaid pension	34,115	221,746
Membership and patronage capital	1,175,134	1,189,937
Total other assets	16,469,638	16,493,954
TOTAL ASSETS	\$ 49,510,958	\$ 46,832,210

BALANCE SHEETS: CAPITALIZATION AND LIABILITIES

AS OF DECEMBER 31,
2023 AND 2022

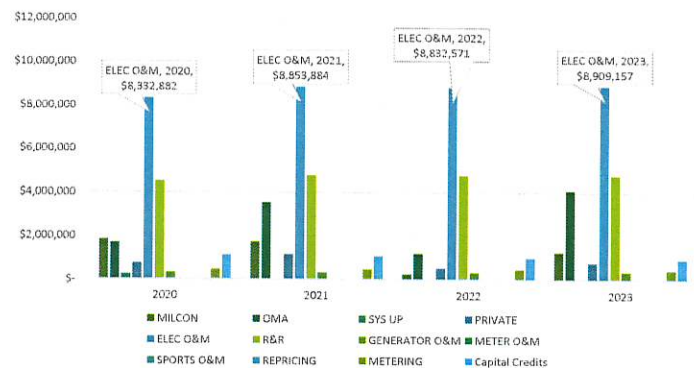
	2023	2022
CAPITALIZATION AND LIABILITIES:		
MEMBERS' CAPITAL:		
Members' capital	\$ 18,322,864	\$ 17,390,022
Total members' capital	<u>18,322,864</u>	<u>17,390,022</u>
TOTAL CAPITALIZATION	18,322,864	17,390,022
CURRENT LIABILITIES:		
Current portion of long-term debt	-	184,584
Accounts payable	294,830	281,522
Other current liabilities	386,374	340,511
Total current liabilities	<u>681,204</u>	<u>806,617</u>
DEFERRED REVENUE AND OTHER LIABILITIES:		
Deferred revenue:		
Capital credits and joint use	679,257	732,647
Retirement and replacement	25,936,287	24,019,245
Deferred credits	3,891,346	3,883,679
Total deferred revenue and other liabilities	<u>30,506,890</u>	<u>28,635,571</u>
TOTAL CAPITALIZATION AND LIABILITIES	\$ 49,510,958	\$ 46,832,210



Assets

Restricted Cash

- o Catastrophic Reserve Cash
 - No reserve had to be used for 2023
- o Capital Credit and Joint Use Cash
 - \$904,974 added to the balance from member payments and joint use in 2023
 - \$965,168 was recognized as earned in 2023
 - Remaining balance of 2024 payment will be earned by 9/30/24
 - The funds are used as a reduction on O&M projects (\$75,414/month)



Billings by Lines



Over/Under Billings Detail

Over/ Under Billings

The government will only take bills for completed projects

Contracts cannot be billed for long periods of time

Under billings is up \$601,908 from 2022

More jobs were able to close in 2021 due to the planned outage

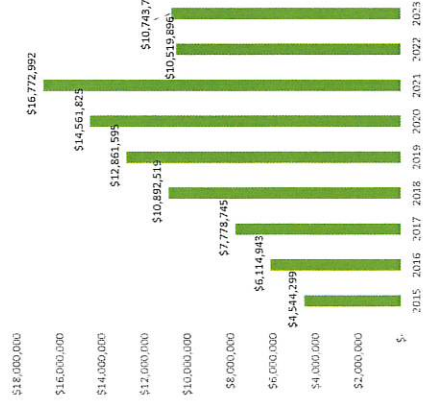
Under billings is expected to fluctuate based on new construction growth

Private jobs generally offset as over billings since they can be billed upfront

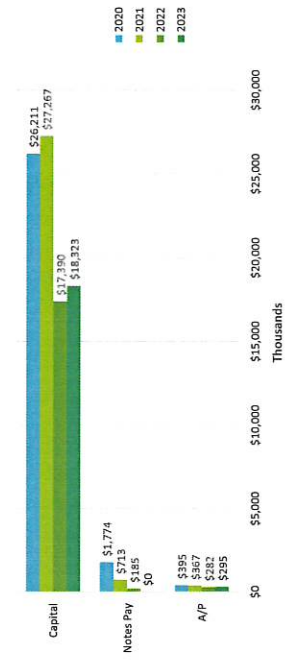
Payment on government jobs usually occurs within 90 days after billing

Under billings are included in accounts receivable on the balance sheets

Investment Growth



- Portion of investment that is cash money market is included in cash on the balance sheet. (\$254,141)
- Total investment balance at 12/31/23 is \$10,997,670.
- \$1,400,000 withdrawal by members in 2023
- This distribution was made up of gains on the investment
- Total unrealized gain on income statement 12/31/23 of \$1,769,800.
- Available credit of \$7,227,442 (max \$10M) on investment not required to be used in 2023
- Total investment balance on 12/31/23 statement was \$11,077,974.
- Investment policy change may impact volatility on annual gains and borrowing base



Liabilities & Equity



Government debt #1 was paid off in 2022



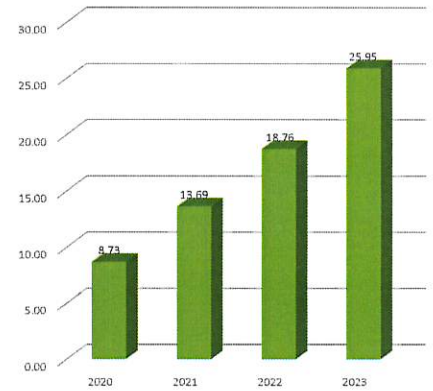
Government debt #2 was paid off in 2023



Repricing was calculated to have even cash paid on R&R revenue through September 2024

Notes Payable

Current Ratio



STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN MEMBERS' CAPITAL

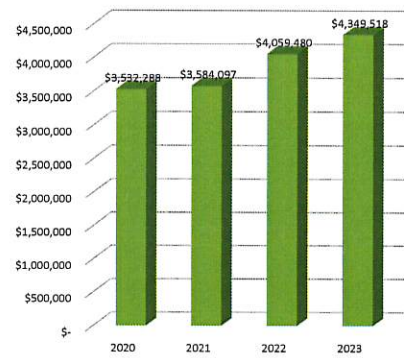
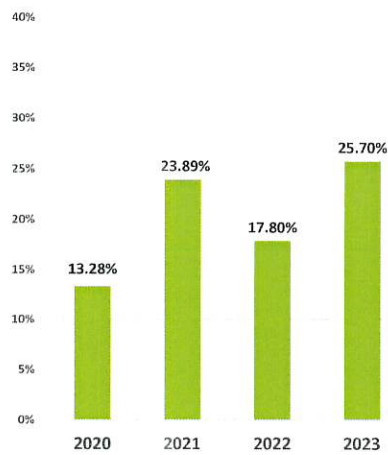
FOR THE YEARS ENDED
DECEMBER 31,
2023 AND 2022

	2023	2022
OPERATING REVENUES:		
Operations and maintenance revenue	\$ 10,647,025	\$ 10,627,182
Construction revenue	2,362,142	1,418,331
Total operating revenue	13,009,167	12,045,513
OPERATING EXPENSES:		
Distribution - operating	4,349,518	4,059,480
Distribution - maintenance	1,059,096	1,283,870
Administrative and general	4,685,167	4,684,612
Depreciation and amortization	1,057,127	921,977
Total operating expenses	11,151,908	10,949,939
OPERATING INCOME	1,857,659	1,095,574
OTHER INCOME (EXPENSE):		
Unrealized gains (losses) on equity securities	1,769,979	(3,682,556)
Interest income	243,446	274,964
Miscellaneous income	154,687	209,504
Gain on disposal of assets	15,597	-
Interest expense	-	(3,543)
Gain (loss) on sale of equity securities	(308,526)	1,228,715
Total other income (expense)	1,875,183	(1,972,916)
NET INCOME (LOSS)	3,732,842	(877,342)
BEGINNING MEMBERS' CAPITAL	17,390,022	27,267,364
DISTRIBUTIONS	(2,800,000)	(9,000,000)
ENDING MEMBERS' CAPITAL	\$ 18,322,864	\$ 17,390,022



Revenue History

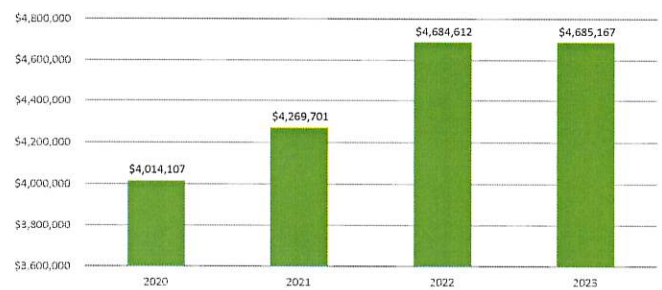
Average Gross Profit on Closed Jobs



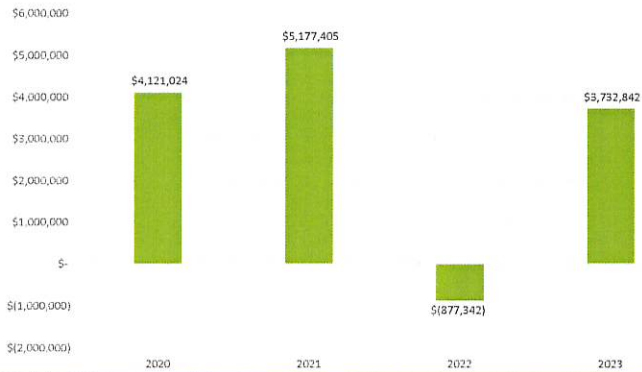
Distribution-Operating Expenses



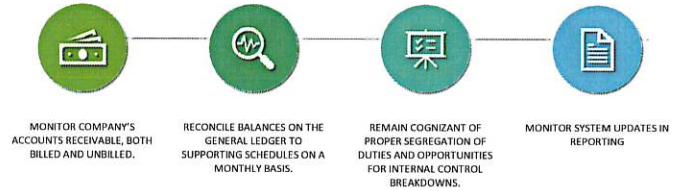
Distribution-Maintenance Expenses



Administrative and General Expenses



Net Income



SUS UPDATE APRIL 16, 2024

SANDHILLS UTILITY SERVICES, LLC

SUS OVERVIEW



- Number of Employees: 42
- SUS Key Assets: Electrical Grid, Generators, Sportsfield Lights, Fiber Network, and Meters.



Financial Summary



- Billed Revenue YTD: March 2024 -**\$4,259,550**
- NET INCOME BUDGETED FOR 2024: **\$4,437,247**
- **Over \$6.5 million of new construction projects submitted & received contracts**

Engineering & Operations Update



- ❖ MILCON, & OMA
- ❖ Demand Maintenance Orders & Outage History
- Replacement & Renewal Projects - \$4.75M
 - URD cable replacements
 - Pole replacements
 - Transformer & Switchgear Replacements
 - 600 amp overhead switch replacements
 - Generator Replacements – 193 generators
 - Sportsfield Lighting Replacements – 32 fields

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NEW BUSINESS & MEETING W/DPW

(1 of 3)



- No new solicitations from Army and Air Force in FY24 or FY25. Navy has three planned.
- Attended DoD Utilities Privatization (UP) Workshop at Shades of Green Resort in Orlando, FL. The leadership from all armed services (Army, Navy, Air Force) attended and covered key topics (ex. Micro-Grid, EV Charging Station, Climate Change Initiatives, etc.).
- Partnering with Energy System Group (ESG) for new projects on Fort Liberty. ESG won the ESPC 25 years contract on Fort Liberty.

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NEW BUSINESS & MEETING W/DPW

(2 of 3)



- Replace the UPS System at 911 Center on Fort Liberty. The project is **\$129,189**. First project like this for SUS.
- Won bid for O&M on 51 generators at JSOC for **\$268,928.53** annually. SUS does not own these generators.
- Demonstration Project with vendor for Hydrogen Fuel Cell Installation in FY24 & FY25. Project is first on military installation.
- Corvis Housing Projects – Install meters and ground-mounted solar. Over 1,500 residential meters and 30 MW of solar at nine different locations.

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NEW BUSINESS & MEETING W/DPW

(3 of 3)



- Submitting proposal to Lumbee River EMC for generator monitoring and monthly generator O&M.
- Submitting proposals for several microgrid projects with JSOC, Camp MacKall, and SOTF in 2024. All proposals exceed \$10 million in revenue.
- Metering Projects – Install meters on all buildings on Fort Liberty over the next two years.

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Company Activities



- Hired GIS Technician.
- Several departments are on 4-10 hours schedules and others on 4-9 hours and 8 hours. Both schedules working fine.
- Posted for Cyber Security Administrator, Powerline Technician, Project Engineer.
- Quarterly Lunch and Learns on topics from monthly newsletter.
- SUS Planned Tours: April 10th – Lumbee River EMC; June 11th – South River EMC

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Questions



Thank You

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6. Ms. Elaine O. Chavis presented the Secretary's Report to the directors for the month of March 2024. A MOTION WAS DULY MADE BY BOARD MEMBER ELAINE O. CHAVIS AND WAS PROPERLY SECONDED AND THE BOARD APPROVED THE MARCH 2024 SECRETARY REPORT. THE VOTE WAS CARRIED UNANIMOUSLY.
7. Mr. Kirk Lowery presented the Treasurer's Report (Form 7) to the directors for the month of March 2024. A MOTION WAS DULY MADE BY BOARD MEMBER KIRK LOWERY AND WAS PROPERLY SECONDED AND THE BOARD APPROVED THE MARCH 2024 TREASURER REPORT (FORM 7). THE VOTE WAS CARRIED UNANIMOUSLY.

8. CEO Jonathan T. Locklear presented the LREMC Financial Report for March 2024.

A MOTION WAS DULY MADE BY BOARD MEMBER ANTHONY HUNT AND WAS PROPERLY SECONDED AND THE BOARD APPROVED THE MARCH 2024 ESTATE RETIREMENTS AND INACTIVE RETIREMENTS. THE VOTE WAS CARRIED UNANIMOUSLY.

9. The President & CEO Jonathan T. Locklear provided an update on a recent meeting with Statewide, he shared information on employee surveys and RivrTech. His opinion on Statewide is that the meetings are very generic. He feels that there should be more engagement with Statewide leadership, more transparency and more communication. The corporate chaplain has started and so far there has been positive feedback from employees.

Craig Davis provided the Board with a phone assessment update. LREMC is working with Global Information Technology to identify a vendor for the phone system. The concern is people not being able to get through in a timely manner. The administration asked the board members to let them know of complaints and they will follow up with the complaints.

Craig Davis gave a cyber security update for the 1st quarter of 2024 and provided a Spam Filter Traffic Summary and Palo Alto Firewall Threat Report.

10. Mr. Rory Eddings discussed matters of interest to Directors to include the following:
 - a. Youth Scholarship Lunch to be held Thursday, May 02, 2024 at 11:30 am at LREMC Headquarters in Training Room A.
 - b. LREMC Annual Golf Classic is to be held on Friday, May 17, 2024 beginning at 9:00am at Bayonet at Puppy Creek in Raeford, NC.
 - c. 2024 Legislative Conference will be held Sunday, April 21, 2024 - Wednesday, April 24, 2024 in Washington D.C.
 - d. The Statewide Board Retreat and Meetings will be held Wednesday- Friday June 5-7, 2024 at the Grandover Resort & Conference Center, 100 Club Road Greensboro NC.
 - h. Summer School for Directors will be held online on June 6-11, 2024.
 - i. A Finance, Audit and Budget Committee Meeting will be held on Tuesday, May 21, 2024 at 4:30 pm at LREMC Headquarters.

14. A MOTION WAS DULY MADE BY BOARD MEMBER ROGER OXENDINE AND WAS PROPERLY SECONDED AND THE BOARD ENTERED EXECUTIVE SESSION with no dissenting votes, and no further discussion, motion carried.
15. A MOTION WAS DULY MADE BY BOARD MEMBER ROGER OXENDINE TO LEAVE EXECUTIVE SESSION with no dissenting votes, and no further discussion, motion carried.
16. A MOTION WAS DULY MADE BY BOARD MEMBER ERICE LOCKLEAR AND WAS PROPERLY SECONDED AND THE BOARD CONFIRMED ALL ACTIONS TAKEN IN EXECUTIVE SESSION with no dissenting votes, and no further discussion, motion carried. All votes were reaffirmed without discussion as follows:

A MOTION WAS DULY MADE BY BOARD MEMBER ROGER OXENDINE AND RESOLVED TO APPROVE POLICY BULLETIN NO. 111, AMEND AND APPROVE POLICY BULLETIN NO. 112, AMEND AND APPROVE POLICY BULLETIN NO. 114, AMEND AND APPROVE POLICY BULLETIN NO. 206, AMEND AND APPROVE POLICY BULLETIN NO. 208, APPROVE POLICY BULLETIN NO. 313, AMEND AND APPROVE POLICY BULLETIN NO. 317, APPROVE BOARD GOVERNANCE POLICY NO. 405, APPROVE BOARD GOVERNANCE POLICY NO. 418, APPROVE BOARD GOVERNANCE POLICY NO. 422, AMEND AND APPROVE POLICY BULLETIN NO. 504, AMEND AND APPROVE POLICY BULLETIN NO. 512 AND AMEND AND APPROVE POLICY BULLETIN NO. 515. THE VOTE WAS CARRIED UNANIMOUSLY.

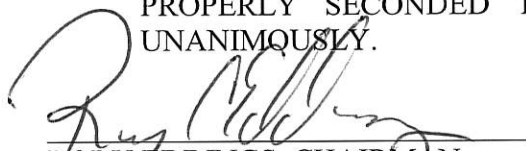
A MOTION WAS DULY MADE BY BOARD MEMBER ANTHONY HUNT AND WAS PROPERLY SECONDED AND THE BOARD APPROVED TO CHANGE THE DEMAND REQUIREMENT FROM 12 MONTHS TO 6 MONTHS ONCE A MEMBER HITS 50KW OF DEMAND. THE VOTE WAS CARRIED UNANIMOUSLY.

A MOTION WAS DULY MADE BY BOARD MEMBER JAMES HARDIN AND WAS PROPERLY SECONDED AND THE BOARD APPROVED AND AFFIRMED THE RECONNECT PROGRAM AND COMMUNITY CONNECT GRANT PROGRAM RESOLUTION. THE VOTE WAS CARRIED UNANIMOUSLY.

A MOTION WAS DULY MADE BY BOARD MEMBER JAMES HARDIN AND WAS PROPERLY SECONDED AND THE BOARD APPROVED THE RECONNECT LOAN AND GRANT PROGRAM FUNDING RESOLUTION. THE VOTE WAS CARRIED UNANIMOUSLY.

A MOTION WAS DULY MADE BY BOARD MEMBER JAMES HARDIN AND WAS PROPERLY SECONDED AND THE BOARD APPROVED TO INCREASE THE DONATION AMOUNT TO LRDA FOR LUMBEE HOMECOMING FROM \$10,000.00 TO \$15,000.00. THE MOTION WAS APPROVED.

17. A MOTION WAS DULY MADE BY BOARD MEMBER ROGER OXENDINE AND WAS PROPERLY SECONDED TO ADJOURN THE MEETING. THE VOTE WAS CARRIED UNANIMOUSLY.


RORY EDDINGS, CHAIRMAN


ELAINE O. CHAVIS, SECRETARY