

Board Member 12/25/10

Sir:

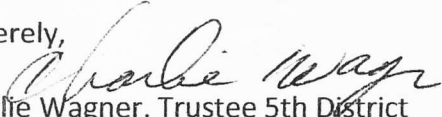
I must correct the representation in your report, attributed to Paul Bustamante that, a "\$35,000" loan was from the 401k pension plan. That is false. In fact the account allegedly abused by Pineda and Torres, according to the the Bolinger, Segars, Gilbert & Moss, L.L.P. (BSG&M) auditors, was from an interim (short term) loan account # 143.9. This account draws money from SEC's general funds to advance money to an employee while awaiting the personal loan applied for from the employee's 401k account. The 401k money is then used to reimburse account # 143.9 and is then repaid by the employee to his 401k plan through payroll deductions.

In the case of Pineda and Torres no valid application for a 401k loan was involved by either of them in August, October and December of 2009 when loans were made from account # 143.9 on their behalf. There was no security for their loans and repayments for the loans balances ending at fiscal year March 31, 2010 were not made until May 17th, June 4th, and 7th, of 2010, after the BSG&M auditors reported the "gross abuse of their positions" to SEC's Board Chairman, Paul Bustamante on May 13, 2010. Bustamante then failed to report to the full board and the co-op's attorney what the auditors reported to him, until after the employee whistleblowers' reported their complaint accusing Pineda and Torres to the board and local press in August 2010. It seems obvious that Mr. Bustamante, by misrepresenting the character of these abusive loans by two highly placed employees and failing to report it until it became public knowledge, was attempting to cover-up this matter.

In my opinion Bustamante's actions constitute gross misconduct, a breach of his duty of care, and of his fiduciary responsibility as a trustee and president of the board of Socorro Electric Cooperative.

His conduct places the assets of the cooperative at great risk and rewards those who by their actions would harm the interests of the co-op and its owners. If the board of SEC fails to review this matter and take action to remove Bustamante as chairman, they will again prove either malice against the member/owners or incompetence to perform their duties.

Sincerely,

  
Charlie Wagner, Trustee 5th District  
Socorro Electric Cooperative, Inc.