

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

Held at 4463 Pahe`e Street

Līhu`e, Kaua`i, Hawai`i

On May 28, 2019

MINUTES

Call to order at 1:00 p.m.

1. Roll Call

1.1 **Present:** Directors Allan Smith (Chair), Dee Crowell, David Iha, Janet Kass, James Mayfield, Calvin Murashige (Secretary), Teofilo Tacbian, Jan TenBruggencate (Vice Chair), and Peter Yukimura (Treasurer); and Michael Yamane (COO & Technology). A quorum of directors were present.

1.2 **In attendance:** Laurel Loo (General Counsel), Karissa Jonas (CFO), Maile Alfiler (Member Services Mgr.), Corinne Cuaresma (Controller), Rick Eckert (Financial Planning & Strategy Mgr.), Carey Koide (T&D Mgr.), Beth Tokioka (Communications Mgr.), Lisa Ubay (HR Mgr.), Richard Vetter (Port Allen Station Manager) and Nadine Tipps (Executive Administrator); and one (1) member of the public.

1.3 **Excused:** David Bissell (President and CEO)

2. Invocation – Director Iha opened the meeting with thoughts of Memorial Day.

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

4. Approval of Minutes

4.1 The 4/23/2019 Regular and Executive meeting minutes were approved unanimously. [Motion: TenBruggencate/Murashige]

5. President's Report. Michael Yamane (COO) reported for David Bissell, President and CEO

5.1 The current Cooperative statistics were reported. (report attached)

5.2 Director Tacbian shared that the news reported the last time we broke record for highest temperature was in 1992. We need to be prepared this year.

6. Financial Report: Karissa Jonas, CFO reported.

6.1 Indenture – Finalized on April 30th.

6.2 RUS – Will be conducting a routine loan fund and accounting review, which is done every couple of years. They start from where they last left off and audit our records until current, which is May 1, 2016 – June 30, 2019. They will be here on island at the end of July for two weeks.

6.3 FEMA Storm Damage Recovery - Received two checks.

- 6.4 Warehouse – In light of Hurricane season coming up, some additional offsite warehouse space has been secured to store storm prep items such as transformers.
- 6.5 The April 2019 preliminary financials were reviewed. (scorecard attached)

7. **NRECA Hawaii Director Report – Director David Iha**

- 7.1 Director Iha circulated the NRECA Board Meeting report.
- 7.2 About 2,000 people attended the NRECA Legislative Conference.
- 7.3 The House passed one of the initiatives to reduce the premiums for our pension plans. 417 – for, 3- against. Senate will take it up under their own bill in June.
- 7.4 The House Appropriation Committee rejected the Administration’s plan to privatize the power marketing.
- 7.5 Director Iha will attend the NRECA Board Meeting in Washington, D.C. in June, therefore he will not be here for the KIUC June Board Meeting.

8. **Committee Reports**

8.1 **Executive – Committee Chair, Jan TenBruggencate**

- 8.1.1 The committee met on May 17th. There were no major items. Received an update from CEO Bissell on meetings he has been having on potential water issues we face with our hydros at Waiahi.

8.2 **Finance & Audit – Acting Committee Chair, Janet Kass**

- 8.2.1 The committee met on May 17th.
- 8.2.2 CFO Jonas reported the financials.
- 8.2.3 Talked about follow ups from the PatCap Retirement Meeting. No big changes. Will discuss more at the next F&A Committee meeting.

8.3 **Government Relations/Legislative – Committee Chair, Phil Tacbian**

- 8.3.1 The committee met on May 17th.
- 8.3.2 No action was taken.
- 8.3.3 Read his report on the Legislative Conference, which took place in Washington, D.C, April 28-30, 2019. The GRLA Committee were in attendance, along with CEO David Bissell, COO Michael Yamane and T&D Manager, Carey Koide. (report attached)
 - (a) Met with Jim Matthesen, CEO of NRECA, who will be on Kauai in the summer. Invited him to meet with the KIUC Board and perhaps a tour of one of our Solar projects.
 - (b) There was a briefing on the bills that NRECA asked the conferees to take to their respective Delegation.
 - (c) Met with our Representatives and Senators on Capitol Hill.
 - (d) Met with Congressman Ed Case, and showed a picture with all of them together in the Capital Waiting Room, which is right outside of the Chambers. They were invited into the Chambers, where the House was meeting.
- 8.3.4 Showed the certificate that the KIUC Board of Directors received from ACRE on 100% participation.

- 8.4 **Member Relations – Committee Chair, Calvin Murashige**
 - 8.4.1 The committee met on May 17th.
 - 8.4.2 The KIUC Board election date for next year is scheduled for March 14, 2020.
 - (a) Director Iha will Chair the election next year.

- 8.5 **Policy – Committee Chair, Dee Crowell**
 - 8.5.1 The committee met on May 17th and their agenda will be covered under New Business.

- 8.6 **Strategic Planning – Committee Chair, James Mayfield**
 - 8.6.1 The committee met on May 17th and discussed the special meeting they had to review the KIUC Strategic Plan. Some initial thoughts were prepared. Will have another meeting in the near future.

- 9. **Charitable Foundation (CF) Board – Teofilo Tacbian, President**
 - 9.1 The CF Board met on May 13th. They have \$70k left in their account after payments to Kumu Cupboard and Leadership Kauai.
 - 9.2 KEO assisted two families totalling \$400. The balance in their account is \$9,206.
 - 9.3 The golf committee chaired by Dee Crowell, will be meeting soon, and will be calling on anyone to serve on that committee. The golf tournament is scheduled for November 16th.
 - 9.4 At the KCC Scholarship Ceremony, Directors Crowell and Tacbian presented 2 scholarships. A total of 161 scholarships were awarded by 46 sponsors.
 - 9.4.1 Director Iha and Nancy Bushnell sponsored their own scholarships.
 - 9.4.2 Director Mayfield reported that they presented 5 scholarships on behalf of the Rotary Club of Kauai. He suggested if any of the other Board members have never attended this ceremony before, they should. It is very moving.
 - 9.5 Donated \$1,500 to the Kauai Academy of Creative Arts.
 - 9.6 In the Regulatory Area of Department of Commerce and Consumer Affairs, Laurel Loo is now the Registered Agent.

- 10. **Public Testimony.** Marj Dente provided oral testimony to the Board of Directors, and submitted a letter. (attached)

- 11. **New Business**
 - 11.1 **Board Policy No. 2, Authority and Responsibility of the Chief Executive Officer (“CEO”)**
 - 11.1.1 Policy Committee Chair Crowell reported the committee discussed and recommended approval with no substantive changes. The recommendation carried unanimously.

IN FAVOR: Crowell, Iha, Kass, Mayfield, Murashige, Smith,
 Tacbian, TenBruggencate & Yukimura

Total – 9

OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

11.2 **Board Policy No. 28, Offers to Acquire Cooperative’s Assets**

11.2.1 Policy Committee Chair Crowell reported the committee discussed and recommended approval with no substantive changes. The recommendation carried unanimously.

IN FAVOR:	Crowell, Iha, Kass, Mayfield, Murashige, Smith, Tactian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

11.3 **Re-appointment of Dee Crowell as Hawaii Representative on NRECA Resolutions Committee (NRECA Director, David Iha)**

11.3.1 The motion to approve carried unanimously. [Iha/Murashige]

IN FAVOR:	Crowell, Iha, Kass, Mayfield, Murashige, Smith, Tactian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

11.4 **Re-appointment of Jan TenBruggencate to the NRECA Region 9 Nominating Committee (NRECA Director, David Iha)**

11.4.1 The motion to approve carried unanimously. [Iha/Murashige]

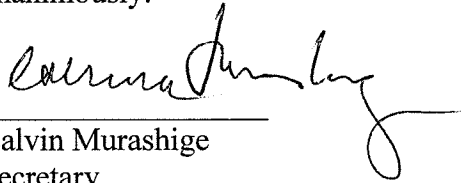
IN FAVOR:	Crowell, Iha, Kass, Mayfield, Murashige, Smith, Tactian, TenBruggencate & Yukimura	Total – 9
OPPOSED:	None	Total – 0
EXCUSED:	None	Total – 0

12. **Calendar:**

- 12.1 **June 11, 2019** – HOLIDAY, KIUC Offices Closed
- 12.2 **June 14, 2019** – Board Committee Meetings (9:00am, MCR)
- 12.3 **June 25, 2019** – Board Meeting (1:00pm., KIUC Main Conf Rm)
- 12.4 **June 26, 2019** – Top 100 Breakfast Mtg (8:00am., Kauai Marriott)

13. **Executive Session.** At 1:53 p.m. the Board recessed the meeting to enter 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 are matters of a proprietary or financial nature, public disclosure of which could affect on-going or potential negotiations or legal or administrative proceedings and human resource issues related to the hiring, evaluating, dismissing or disciplining an officer or employee and a matter requiring legal consultation on issues pertaining to the powers, duties, privileges, immunities and liabilities of the Board of Directors.

14. **Adjournment.** The open session of the meeting reconvened at 2:02 p.m. Director Murashige moved to adjourn the meeting; the motion was seconded by Director TenBruggencate. All directors present voted in favor of the motion and it passed unanimously.



Calvin Murashige
Secretary



President's Report

May 28, 2019

Michael Yamane, COO for David Bissell, President and CEO



President's Report

Michael Yamane, COO for
David Bissell, President and CEO
May 28, 2019

Safety (April)

	Month	2019 YTD	2018 YTD
Recordable Incidents	0	0	1
Days Away/Restricted	0	0	133

STATISTICS

Availability and Reliability:

	Month	2019 YTD	2018 YTD
Reportable Outages	1	22	23
Average Outage Hours Per Customer	0.02	1.43	0.52

Efficiency

	Month	2019 YTD
Net Plant Heat Rate	9,337	9,200
Peak Demand (MW)	69.5	71.7

Residential Rates:

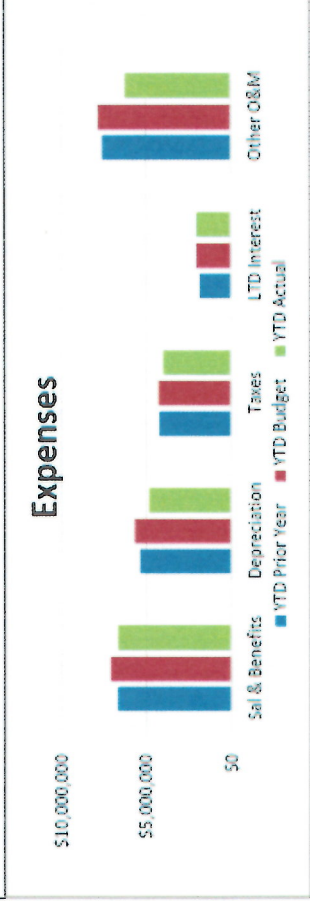
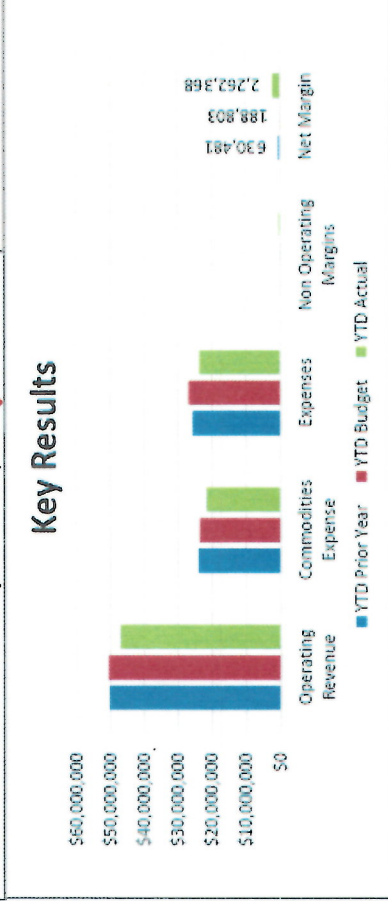
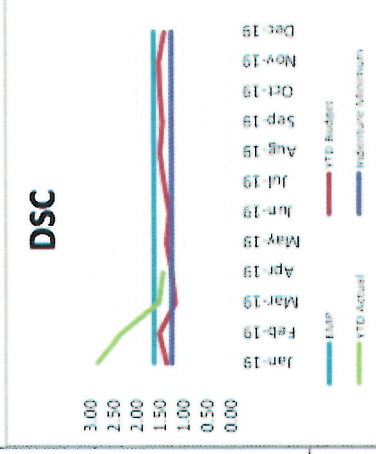
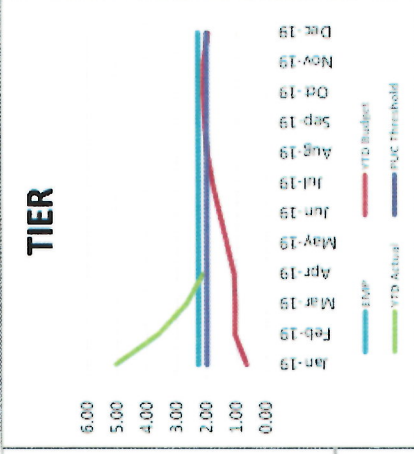
May 2019	\$0.325/kwh	Down \$0.305 from March
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Mahalo!

Financial Scorecard

Class	YTD		Percent Change
	Prior Year	Actual	
Residential (D)	56,518	54,789	-3.1%
Small Comm (G)	19,581	20,583	5.1%
Large Comm (J)	15,608	15,352	-1.6%
Lrg Pwr Primary (L)	16,009	15,123	-5.5%
Lrg Pwr Secondary (P)	32,991	31,446	-4.7%
Street Lighting (SL)	284	277	-2.2%
Irrigation	1,291	60	-95.4%
Total	142,282	137,629	-3.3%



Liquidity

	YTD Actual
Cash	\$6,979,699
Short-Term Investments	\$12,025,404
Cushion of Credit	\$15,435,981
Line of Credit Available	\$40,000,000
Line of Credit Drawn	\$0

Report of the
Legislative Conference
Washington D. C.
April 28-30, 2019

Legislative Committee: T P Tacbian, Chairman; Members- David Iha, Dee Crowell & Mike Yamane. Also attending; David Bissell, CEO & Carey Koide, Mgr. T&D.

Conference began on Sun. May 28th. I attended the ACRE Executive Committee meeting (which I'm a member) in Arlington, Va. NRECA Headquarters. We received updates on the status of the Committee, no action items. There I had the chance to meet with Jim Matthesen, CEO of NRECA. He will be visiting Kauai this summer, I invited him to meet with our Board and perhaps a tour to one of our Solar projects.

That evening was the official opening of the Conference.

Monday was the briefing on the bills that NRECA asked the conferees to take to their respective Delegation. The Bills were:

1. **Promote Needs of Rural Communities in Infrastructure Package**
2. **Protect the Power Marketing Administrations and TVA**
3. **Protect Your Electric Cooperative's Tax-Exempt Status**
4. **Stop PBGC from Overcharging Electric Co-op Pension Plans**

That evening we met with Staff members of our Delegation.

Tuesday was spent meeting with our Representatives and Senators on Capitol Hill, where we discussed the 4 items above as well as KIUC's issues that our staff conducted. Highlight of these meetings were with Congressman Case in the Capitol waiting room and ending up in the gallery of the House Chambers where the House was in session.

Tue. Evening, we again met with other members of our Delegation staff. This was significant as the staff plays a very important part of our messages and concerns being heard and acted upon by our Member of Congress.

Wednesday was Aloha to Washington D. C.

TO: KIUC BOARD OF DIRECTORS
DATE MAY 28, 2019

Briefly: In referring to the current Strategic Plan, titled Strategic Plan 2013-2025 I note that some of the KEY ISSUES to be addressed by 2018 are: 1) Reduce member costs; 2) Enhance member satisfaction; 3) Ensure the fairness of the rate structure.

Also CORE VALUES: 1) Respect: treating everyone with fairness, integrity and honesty; 2) Teamwork: looking out for each other and working together as one team toward common goals; 3) Responsibility: practicing stewardship and the privilege of doing the right thing for our members in a responsive manner.

Also SEVEN COOPERATIVE PRINCIPLES: SECOND PRINCIPLE: Democratic Member Control: Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership.

My evaluation is: The KEY ISSUES mentioned above (and others in that list) have strategies to reach these goals listed on page 5, except for #2, enhance member satisfaction. Nothing is written for #2. But I have not heard much if anything toward the progress of reaching these other goals at monthly Board meetings. Please correct me if my recollection is not correct.

Also, I find that the CORE VALUES #1,2 and 3 mentioned above are hardly paid attention to with identifiable lack of integrity, respect and honesty prevalent with some Staff members and the CEO.

Lastly, in my opinion, the Democratic Member Control with cooperatives controlled by the members, who actively participate in setting policies and making decisions with the elected representatives accountable to the membership is not happening at KIUC. With closed committee meetings where all decisions are made and then BRIEFLY brought before the total Board for a very fast voting process with little or no explanations, is the current mode of operation.

Also, trhe many times special meetings have been called with only a 24 hour notification (allowed unfortunately by the By Laws) does not notify the public and KIUC members in a timely manner. When I brought this to the Board's and staff's attention, I was told that I should check the KIUC web site every day. Would not an email to all members be a more responsive manner?

I may have some positive solutions to what I feel are some serious issues that KIUC would be best to try to solve in the ongoing Strategic Plan process.

Thanks for your interest in making KIUC a better COOP.

Marj Dente, 6336 Waipouli Rd. Unit B, Kapa'a, HI 96746



KAUA'I ISLAND UTILITY COOPERATIVE ("KIUC")
BOARD POLICY NO. 2
(Revised ~~0605/27xx/2017~~2019)

AUTHORITY AND RESPONSIBILITY OF
THE CHIEF EXECUTIVE OFFICER ("CEO")

PURPOSE OF POLICY:

To describe the authority and responsibility of the CEO to enable him/her to adequately direct the operations of KIUC and to report to the KIUC Board of Directors ("Board") on the results achieved, and to express the Board's expectations regarding managerial performance.

POLICY CONTENT:

The Board of Directors and the CEO form a team united to serve the best interests of the membership. The need for them to work effectively and efficiently together is critical to the success of the Cooperative.

The CEO is the senior employee and manager of KIUC, capable of binding it legally and responsible for its day-to-day operations. To enable KIUC to achieve its mission, the CEO is delegated the following authority, responsibilities and duties:

A. Planning

- 1) Assist in identifying the mission, objectives, and strategic priorities of KIUC by periodically engaging in a planning process with the Board.
- 2) Develop policies to be recommended to the Board for its consideration. The CEO shall review such policies as appropriate with recommendations regarding revisions.
- 3) Conduct studies and market research, utilizing staff and develop proposed action plans and reports in such areas as load forecasts, power requirements, financial plans, energy management and marketing plans, and engineering requirements.
- 4) Arrange for member satisfaction surveys and other techniques to measure consumer satisfaction, and also on a periodic basis conduct needs assessments to determine consumer interest in additional products or services that might be offered by KIUC.
- 5) Develop plans for annual and other member meetings of KIUC and make appropriate recommendations to the Board regarding the conduct of such meetings.
- 6) Develop long-range financial plans, cash management plans, and work plans and

budgets for recommendation to the Board, and provide periodic reports on revenue, expenses, and other results compared to such plans.

- 7) In coordination with the Board and the National Rural Electric Cooperative Association analyze and determine ~~County~~county, ~~State~~state and ~~Federal~~federal legislative and regulatory matters to be proposed, supported, or opposed.
- 8) Periodically analyze the system's rates and service rules and regulations to make sure they meet operating requirements and make appropriate recommendations to the Board.

B. Organization and Human Resource Management

- 1) Review activities of KIUC and determine the organizational structure best suited to carry out its objectives within the limitations of the budget, including recommending to the Board the need for additional positions.
- 2) Ensure written position descriptions and job specifications are prepared in accordance with all laws and regulations and reviewed as necessary for all personnel.
- 3) Develop or approve standards and qualifications for use in recruitment, transfer, and promotion of personnel, and select, appoint, transfer, promote and terminate personnel as appropriate for ~~Non~~non-bargaining ~~Unit~~unit personnel, and consistent with the requirements of the ~~Collective~~collective ~~Bargaining~~bargaining ~~Agreement~~agreement for ~~Bargaining~~bargaining ~~Unit~~unit personnel.
- 4) Ensure staff members are trained in accordance with the qualifications and requirements of their positions.
- 5) Appraise, at least annually, the performance of immediate staff members, and ensure a performance appraisal program is established and carried out for all personnel.
- 6) Develop and propose a compensation plan for Board approval.
- 7) Determine all salary adjustments, except the CEO's within the Board-approved compensation plan and policy and within the limitations of the budget. The Board shall determine salary adjustments for the CEO.
- 8) Negotiate, with or without consulting assistance, labor contracts and make recommendations to the Board. Administer the approved labor contract and see that the appropriate managers and supervisors understand the provisions of the contract and its administration.

- 9) Authorize and approve travel expenses of personnel (except the CEO's) on company business within the limitations of the budget and within established policy. Such expenses shall be supported by itemized expense accounts with receipts attached, as appropriate. The Treasurer will review expenses of the CEO.
- 10) Select and appoint consultants to provide advice and assistance within the limitations of the work plan and budget, and advise the Board of actions taken. The selection of consultants working in areas that affect the functions of the Board requires Board approval. Report to the Board periodically on services provided and the fees received by consultants.

C. **Operations**

- 1) Direct day-to-day operations of KIUC except as specified otherwise by the bylaws or the Board of Directors; delegate authority to immediate staff; authorize further delegation of authority to any level of management with full recognition the CEO cannot be relieved of overall accountability.
- 2) Designate an appropriate person to serve as acting CEO in an extended absence of the CEO. In case the CEO becomes incapacitated, the Chief Financial Officer shall serve as acting CEO until the Board takes action.
- 3) Participate in national, regional, state, and local meetings that further the best interests of KIUC, within the limitations of Board policy and the approved budget. Participation by the CEO in such activities that require considerable time over a sustained period requires the prior approval of the Board. The CEO's serving on the Board of other organizations shall require prior approval of the Board.
- 4) Serve as the authorized spokesperson for KIUC and report to the Board on major issues and keep the Board up to date on such issues in a timely manner.
- 5) Administer the approved budget, provided, however, the CEO may not:
 - a. Make or approve any single non-budgeted expenditure in an amount in excess of \$100,000. For all single non-budgeted items in an amount greater than \$50,000, the CEO will provide the Board ~~Chairman-chairman~~ and the Finance and Audit Committee ~~Chairman-chairman~~ with 5 days advanced notification, if possible, and include items in the monthly CEO report to the Board.
 - b. Execute or cause or allow the execution of any check, draft or electronic transfer of funds in or out of the normal course of business, whether solely or with co-signatures, in an amount in excess of \$2,500,000; provided, however, the CEO may, without further authority of the Board;
 - i) make electronic fund transfers up to \$10,000,000 for the purpose of making contractual fuel payments; and provided, further with the

- concurrence of the ~~Chair~~-~~chair~~ of the Board's Finance and Audit Committee or the Board's ~~Chair~~~~chair~~, such electronic fund transfers in excess of \$10,000,000 may be made in the normal course of business;
- ii) pay the annual KIUC ~~Franchise-franchise Tax-tax~~ and;
 - iii) make payments on any previously approved credit lines or long term debt loan payments.
- c. Pay any attorney invoice for an amount in excess of \$100,000, whether or not budgeted. All attorney invoices will be reviewed by General Counsel prior to being paid.
 - d. Enter into any multi-year contract where the total expected contract amount will exceed \$500,000.
 - e. Enter into any extension of an existing contract where the total expected additional contract amount will exceed \$150,000.
 - f. Borrow any funds in the name of KIUC excluding draws from any previously approved credits lines from National Rural Utilities Cooperative Finance Corporation ("CFC") or advance requests from any previously approved loans from the Federal Financing Bank ("FFB"). Any credit line draws or advance requests will be reported to the board at the next scheduled regular board meeting.
 - g. Borrow any funds in the name of KIUC or based upon its credit in an amount in excess of \$10,000,000 from the previously approved "Disaster" line of credit from CFC. Provided, further, however, under emergency circumstances, the CEO may take action in contravention of such limits as is reasonable and necessary to protect the assets of KIUC or the safety of its personnel or members in such an emergency, so long as such action is immediately reported to the Board.
- 6) Determine insurance coverage required for effective risk management and negotiate purchase of such coverage within the limitations of the budget and Board policy.
 - 7) Authorize memberships in civic clubs and organizations and company memberships in local organizations in which membership would be beneficial to KIUC.

While both the CEO and the Board are part of the governance/management team, each of them has distinct areas of responsibility. The following table is an example of the distinctions between responsibilities of the Board and the responsibilities of the CEO:

BOARD AREAS	CEO AREAS
1) Accountable to members	1) Accountable to Board
2) Makes idea decisions	2) Makes action decisions
3) Makes long-term decisions	3) Makes shorter-term decisions
4) Determines overall goals	4) Decides how to carry out Board-established goals
5) Establishes policy	5) Proposes policies and manages within Board approved policies
6) Plans CEO succession	6) Plans staff succession
7) Determines job responsibility for directors and CEO	7) Determines job responsibilities for Staff
8) Sets standards of performance for directors and CEO	8) Sets standards of performance for staff
9) Appraises organizational performance	9) Appraises operational results
10) Approves budgets	10) Manages activities within approved budget limits

The preceding information can be summarized by stating the Board ~~of Directors~~ is responsible for hiring a CEO; developing the long-term goals and objectives for the Cooperative; developing the necessary Board policies to attain these goals and objectives; reviewing, revising as appropriate and approving staff prepared budgets. Furthermore, the Board ~~of Directors~~ is responsible for measuring the performance of the organization (comparisons between planned and achieved results).

The CEO is authorized and responsible for hiring and training a competent staff of employees. The CEO is authorized and responsible for developing the necessary Administrative policies and procedures to comply with Board policy, and designed to achieve the Board established goals and objectives. The CEO is also responsible for the activities of the organization, and for developing and using reporting systems to keep the Board informed of the results of the organization's activities.

Authority in a Cooperative flows from the Board ~~of Directors~~ to the CEO. The CEO then delegates authority to individual staff members. It is the policy of the Board ~~of Directors~~ to refrain, as individuals, from directing the activities of ~~Cooperative-cooperative~~ staff members. Exceptions to this normal flow of authority must be authorized in advance by an approved Board resolution and/or approval of the CEO.

RESPONSIBILITY:

- A. The CEO shall report to the Board on how these delegated duties are being carried out. The CEO may delegate any of the foregoing authorities to the acting CEO.
- B. The Board of Directors is responsible for seeing the performance of the CEO is appraised each year by the Board, including a recommendation on a salary adjustment when appropriate, and that the results of such appraisal are discussed with the CEO.

Adopted this ~~27th-xxth~~ day of ~~June~~May, ~~2017~~2019.

Calvin Murashige
Secretary

Reviewed: ~~05/xx/2019~~
Revised: 06/27/2017
Revised: 07/28/2015
Revised: 02/26/2013
Revised: 11/27/2012
Revised: 12/21/2010
Original Adoption: 04/12/2000

KAUAI ISLAND UTILITY COOPERATIVE
POLICY NO. 28
(Reviewed ~~0405/18xx/2017~~2019)

OFFERS TO ACQUIRE COOPERATIVE'S ASSETS

PURPOSE OF POLICY:

To recognize and prepare for the possibility that the Cooperative could receive an offer to acquire all or a substantial portion of the Cooperative's assets, whether by purchase, merger, lease or otherwise, and to set forth the policy by which the Board will perform due diligence in receiving such offers.

POLICY CONTENT:

A. Policy Statement:

In order for the Board of Directors to carry out their duties to the Cooperative, minimize the costs and disruption to the Cooperative involved in undertaking repeated due diligence reviews, and abide by the articles of incorporation, bylaws, and any applicable laws or regulations, the Board shall act in the best interests of the Cooperative and its membership and establish the procedures within this policy to govern the Cooperative's receipt, consideration and final action on an offer to purchase all or parts of the Cooperative's assets.

B. Scope:

This policy is designed to provide guidance for the Cooperative's Board of Directors and shall not be construed to create rights in the Cooperative's members, a party submitting an offer to the Cooperative, or any other entity.

C. Qualifying Offer:

1. If the Cooperative receives an offer and such offer is not a Qualifying Offer (as defined in Paragraph C (3) below, it shall be considered an "Inquiry." The recipient of any Inquiry shall notify the person, corporation, or entity submitting the inquiry that, under the terms of this policy, the Board of Directors shall not consider an offer unless it qualifies as a Qualifying Offer, as defined in Paragraph C (3).
2. The CEO of the Cooperative shall notify the Board of any Inquiry or Qualifying Offer immediately upon notice thereof.
3. The Board of Directors shall consider only offers that meet all of the criteria listed in this paragraph, in which case it shall be considered a Qualifying Offer. If at any time it is determined that an offer does not meet all of the criteria in this paragraph, it shall be rejected by the Board, and the person, corporation, or other entity submitting the offer (the "Interested Party") shall be notified of the rejection.

- a. A Qualifying Offer must be a written offer, containing the acquisition price and all other material terms, which is binding upon the Interested Party until a specified date or until rejected;
 - b. A Qualifying Offer must specify the date on which it will expire if not accepted by the Cooperative;
 - c. A Qualifying Offer must contain the names, addresses, and telephone numbers of persons representing the Interested Party with whom the Board may communicate and from whom it may secure authoritative answers regarding the Qualifying Offer;
 - d. In light of the expense in responding to a Qualifying Offer, a Qualifying Offer must be accompanied with an Escrow Agreement acceptable to the Cooperative, which Agreement shall require the Interested Party to deposit an amount equal to at least 2% of Total Utility Plant in an escrow account. The terms of the Escrow Agreement shall provide that the principal amount of the deposit may be drawn on by the Cooperative to:
 1. Pay for all costs (including accounting, engineering and legal) of studies, reviews, analyses, and appraisals by and for the Cooperative in its evaluation of the Qualifying Offer; and
 2. Pay costs incurred by the Cooperative in seeking regulatory approvals.
 - e. If the offer is withdrawn or rejected, any remaining balance in the escrow account shall be paid to the Interested Party when the Board certifies that all costs set forth in this policy have been paid in full.
 - f. A Qualifying Offer must contain an agreement by the Interested Party not to issue press releases or discuss the Qualifying Offer with the media without prior written consent of the Cooperative, and to refrain from issuing misleading statements or advertising; and
4. Upon a determination by the Board that it has received a Qualifying Offer, the Board may pursue continued due diligence in entertaining the Qualifying Offer in consultation with the NRECA ~~policy~~, consultants, the Rural Utilities Service, and counsel as it may deem fit.

Adopted on this ~~18thxx~~ day of ~~AprilMay~~, ~~20172019~~.

Calvin Murashige
Secretary

Reviewed: 05/xx/2019
 Reviewed: 04/18/2017
 Reviewed: 06/30/2015
 Adopted: 11/26/2013