

Copper Valley Electric Association, Inc.

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101 POLICY FORMULATION AND APPROVAL

101.1 Purpose

The purpose of this policy is to establish the basis for the formulation and distribution of policies to effectively achieve the objectives, goals, plans, and programs of Copper Valley Electric Association, Inc. (the Cooperative), and to provide for the periodic review and revision, if appropriate, of Cooperative policies.

101.2 Policy

A. The Board of Directors has overall responsibility for policy development and approval for the Cooperative.

B. The Board has determined the following subject areas requiring policies:

1. Board Responsibilities
2. Cooperative Policies
3. Personnel and Administration

C. In addressing the foregoing subjects areas, the Board has established the following structure for Cooperative policies:

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D. The Board of Directors has the exclusive responsibility to develop and administer Sections 100 and 200 of the Cooperative policies.

1. In developing and revising these policies the Board may seek the assistance of the Policy Committee, Board of Directors or the Chief Executive Officer.
2. Any director may propose revisions to these policies.
3. Any director may propose new policies in this subject area.

- E. The Board of Directors and Chief Executive Officer are responsible for proposing new policies or revisions to existing policies for Sections 300–800 of the Cooperative policies. Proposals shall be directed to the Policy Committee of the Board of Directors.
- F. The Chief Executive Officer is responsible for developing policies for Section 900 of the Cooperative policies.
- G. The Board of Directors is responsible for approving policies for Sections 100 – 800 of the Cooperative policies.
- H. The Chief Executive Officer is responsible for approving Section 900 policies.
- I. Sections 100-800 policies shall be reviewed periodically by the Policy Committee of the Board of Directors to ensure their applicability and relevance to current operations.
- J. The Chief Executive Officer shall review Section 900 policies annually to ensure the applicability and relevance to current operations.
- K. The Board of Directors is accountable to themselves for upholding Sections 100 and 200 of the Cooperative policies.
- L. The Chief Executive Officer is accountable to the Board of Directors for ensuring that Cooperative policies are properly communicated to members and employees and are adhered to.
- M. In the event there is a conflict between any policy and the law, or the Bylaws, or the Articles of Incorporation, or the rules and regulations of a lending or regulatory agency, the applicable law, or the Bylaws, or the Articles of Incorporation, or such rules and regulations will prevail over the policy.
- N. In the event there is a conflict between any policy and a collective bargaining agreement, then the collective bargaining agreement shall prevail over the policy for represented employees.

101.3 Responsibility

- A. The President of the Board shall make every reasonable effort to ensure that this policy is adhered to.
- B. The Chief Executive Officer will provide each director with a manual containing the current Articles of Incorporation, the Bylaws, Board Policies, and any revisions to the Articles, Bylaws, and Board Policies as they occur.
- C. The Chief Executive Officer, in consultation with the General Counsel, shall ensure that all proposed policies or revisions to existing policies meet the requirements of all

state and federal legal requirements.

102 FUNCTIONS OF THE BOARD OF DIRECTORS**102.1 Purpose**

The purpose of this policy is to describe the major functions of the Board of Directors of Copper Valley Electric Association, Inc. (the Cooperative) and to develop an increased understanding of their responsibilities and authorities and to define the Board's accountability.

102.2 Policy

- A. To establish and maintain a legal entity with respect to:
1. Ensuring that the legal requirements, as set forth in the Articles of Incorporation, the Bylaws, and other regulations applying to the Cooperative, are complied with regularly, including, but not necessarily limited to:
 - a. All federal, state, and local statutes and ordinances.
 - b. Federal, state, and local tax and regulatory agencies and commissions.
 - c. Lending agency requirements.
 2. Selecting and appointing the General Counsel, in consultation with the Chief Executive Officer.
 3. Studying, reviewing, and recommending revision and other changes in the Bylaws, as necessary or required, to be submitted to the membership.
 4. Reviewing and approving major contracts such as loan agreements, wholesale power contracts, and construction contracts as defined in Policy 501.
 5. Ensuring that complete and accurate minutes of the Board and the annual membership meeting are prepared, maintained, and approved. Minutes of the Board and membership meetings will be taken by a Recording Secretary, who will prepare a draft for the Chief Executive Officer to review before distribution to the directors.
 6. Authorizing eminent domain proceedings by the Cooperative as required.
- B. To act as trustee, advocate, and regulator of membership interests with respect to:
1. Conducting well planned membership meetings to adequately inform its members, obtain their ideas and suggestions, and to promote understanding of the Cooperative's objectives, goals, policies, plans, and programs.

2. Keeping well informed about changing members needs and how the Cooperative might assist in meeting these needs.
3. Ensuring that the members are informed of the results of the operations through periodic newsletters and other publications, annual reports, and membership meetings.
4. Complying with Board policies and the Bylaws.
5. Keeping informed and growing in their skills and understanding as Board members.
6. Arranging periodically for an appraisal of Board performance and for a systematic program to keep the Board growing in its abilities.
7. Assisting new Board members to develop a greater understanding of the Cooperative and their basic responsibilities and authorities.
8. Keeping the members informed of problems faced by the Cooperative which require their support. Every reasonable effort shall be made to keep the members advised of the long-range outlook on power costs, and as far in advance as possible on the need for adjustments in retail electric rates.
9. Protecting the assets of the Cooperative through appropriate insurance policies and coverages and by making sure that the policies, regulations, and mortgages of lending agencies are complied with.
10. Selecting and appointing independent financial auditors.
11. Ensuring that the Officers, the Chief Executive Officer, and other employees are bonded in accordance with the bonding requirements as prescribed by the Board of Directors and the Bylaws of the Cooperative.
12. Approving depositories for funds of the Cooperative and designating those authorities to sign checks, drafts, notes, contracts, deeds, mortgages, and other instruments on behalf of the Cooperative.
13. Holding well planned and effectively conducted Board meetings monthly, or more often if required. The preliminary agenda for such meetings shall be developed by the Chief Executive Officer in consultation with the President, and the agenda will be mailed in advance of the Board meeting with appropriate supporting information. The agenda shall be posted at least five days before the meeting at the Glennallen and Valdez offices of the Cooperative.
14. May establish policies governing the investment of funds of the Cooperative.

15. Establishing policies governing the payment of travel, director fees, out of pocket, and other expenses of directors.
16. Approving the appointment of the Cooperative's principal consultants and contracts and agreements for their services.
17. Approving purchase, transfer, lease and/or sales of all real estate.
18. Fills vacancies on the Board for any unexpired term of office in accordance with the Bylaws.
19. Reviews recommendations of the Chief Executive Officer on the program for the Annual Membership Meeting, and reviews the results of this meeting and makes appropriate recommendations to the Chief Executive Officer on any improvements which might be made to make such meetings more effective.
20. Invites the participation of the members in planning and carrying out programs that affect them.
21. Performs such other actions deemed necessary to promote and protect the interest of the membership.

C. To consider and adopt short and long range plans with respect to:

1. Ensuring an adequate and reliable supply of power at the most reasonable cost for the members consistent with sound economic and business practices.
2. Reviewing and approving the ideals, objectives, and major goals of the Cooperative, as developed and recommended by the Chief Executive Officer.
3. Reviewing, in consultation with the Chief Executive Officer, proposed policies and adopting such policies as appropriate, and ensuring that these policies are reviewed periodically.
4. Reviewing and approving broad operating programs, services and activities developed and recommended by the Chief Executive Officer and taking into account the feasibility of such recommendations, and the financial ability of the Cooperative to provide these programs and services.
5. Reviewing and approving the annual work plans and budgets in terms of achieving the desired end results in the operations of the Cooperative and providing the best possible service to the members.

6. Considering and adopting broad personnel and wage and salary policies essential to provide opportunities for growth and development of employees.
 7. Considering and approving labor contracts as recommended by the Chief Executive Officer.
 8. Considering and adopting financial plans and policies essential to maintaining a sound financial structure for the Cooperative.
 9. Adopting in consultation with the Chief Executive Officer, policies for maintaining good member, public, and governmental relations, programs for community and economic development, load management and energy conservation.
- D. To provide operating requirements with respect to:
1. Authorizing the monies and expenditures of such monies through the adoption of the revenue, expense, and capital budgets necessary to carry out the mission of the Cooperative.
 2. Establishing committees, when necessary, and receiving reports and recommendations from special or standing committees, and taking appropriate action as a result of such reports. The functions of such committees shall be in writing and reviewed annually by the Board of Directors.
 3. Interviewing candidates and selecting and employing a competent Chief Executive Officer.
 4. Delegating to the Chief Executive Officer the authorities and responsibilities as described in the *Delegation of Authority from the Board of Directors to the Chief Executive Officer* policy or by appropriate resolution.
 5. Advising the Chief Executive Officer, upon his request, in regard to specific managerial decisions which are his delegated responsibility to make and for which results he is to be held responsible.
 6. Determining major local, state, regional, or national organizations in which the Cooperative shall become a member.
 7. Authorizing the construction of major facilities necessary for the efficient operations of the Cooperative.
- E. To ensure that controls are established which can be used in appraising the effectiveness of the operations by:

1. Reviewing periodic reports from the Chief Executive Officer to ensure conformity to the Board's approved viewpoints, objectives, policies, major goals, plans, and programs. These reports shall be of sufficient scope to enable the Board of Directors to:
 - a. Prevent unauthorized action.
 - b. Predict trends and forecast results.
 - c. Determine where remedial or corrective action may be required.
 - d. Measure results against work plans.
 - e. Measure performance against plans and policies.
2. Reviewing the annual financial audit and the management letter, with the auditor present, and ensuring that any necessary action is taken. The audit and the management letter shall be sent to the directors prior to the meeting when they are to review it.
3. Reviewing the independent management audit if such an audit is undertaken, and ensuring that the Board approved recommendations are carried out by receiving and reviewing regular progress reports from the Chief Executive Officer.
4. Annually, conducting a written performance appraisal of the Chief Executive Officer. Such appraisal shall be conducted by the Board.
5. Conducting periodically, an appraisal of the Board of Directors, with or without outside consulting assistance, and holding discussions on the growth and development of the Board of Directors and how they can more effectively carry out their major functions.

102.3 Responsibility

- A. The Board of Directors may delegate any or all of these responsibilities to a Committee of the Board or the Chief Executive Officer as long as such action is consistent with the Cooperative Bylaws and other legal requirements.
- B. The President of the Board of Directors has overall responsibility for administration of this policy.

103 DELEGATIONS OF AUTHORITY FROM THE BOARD OF DIRECTORS TO THE CHIEF EXECUTIVE OFFICER

103.1 Purpose

The purpose of this policy is to define the delegations of authority from the Board of Directors to the Chief Executive Officer to enable the manager to adequately direct the operations of Copper Valley Electric Association, Inc. (the Cooperative) and to report to the Board on the results achieved.

103.2 Policy

A. Planning

1. Policies

To formulate, with the staff, as appropriate, the policies of the Cooperative to be recommended by the Chief Executive Officer to the Board of Directors for their consideration. Such policies shall be reviewed by the Chief Executive Officer at least once a year and a recommendation made to the Board on any revisions required.

2. Objectives

To develop, with the staff, the viewpoints, objectives, and goals of the Cooperative and to review periodically these objectives and goals, as well as the results achieved, with the Board or a committee of the Board.

3. Long and Short Range Plans

To conduct studies with the staff and outside consultants, if necessary, and recommend to the Board short and long-range plans, including plans in such areas as system studies, engineering work plans, power requirements and load forecasts, financial forecasts, energy management, member and public relations, construction, facilities, strategic plans, etc., and to report to the Board on results compared to such plans.

4. Membership Meetings

To develop, with the staff, plans for annual and other meetings of the Cooperative and to make appropriate recommendations to the Board, or a committee of the Board.

5. Work Plans and Budgets

To formulate, with the staff, annual work plans and budgets for CVEA and recommend them to the Board or a committee of the Board for their considerations, and to provide monthly reports on revenue, expenses, and other results compared to such plans.

6. Legislation

To analyze and determine, with the staff and in coordination with organizations such as the Alaska Power Association (APA), and the Natural Rural Electric Cooperative Association (NRECA), state and federal legislative and regulatory matters to be proposed, supported, or opposed consistent with established Board policy.

7. Retail Rates and Service Rules and Regulations

To periodically study and analyze the Cooperative's rates and service rules and regulations to make sure they meet current operating requirements and to make appropriate recommendations to the Board of Directors.

B. Organization

1. Organization Structure

- a. To annually review, as part of the preparation of the Annual Budget and Work Program, the organizational structure best suited to carry out the overall objectives of the Cooperative.
- b. To determine, with the appropriate staff members, the need for additional positions, the transfer, reassignment, or elimination of existing positions.
- c. To recommend to the Board of Directors, as part of the Annual Budget process an organizational chart and the resources required to effect the recommended organizational structure.

2. Selection of Personnel

- a. To develop or approve standards and qualifications for use in recruitment, transfer, and promotion of personnel. Such standards and qualifications shall meet all federal and state legal requirements.
- b. To select, appoint, transfer, promote, and terminate personnel.

3. Training

- a. To ensure that the staff members are trained in accordance with the qualifications and requirements of their positions.

- b. To initiate and promote, through appropriate staff, training programs for all personnel within the limitations of the approved budget, including sending personnel to training programs outside the organization.

4. Performance Appraisals

- a. To appraise, at least annually, in writing the performance of management staff members and to counsel with them and assist them to develop and improve.
- b. To ensure that a performance appraisal program is established and carried out for all personnel.

5. Position Descriptions

To ensure that written position descriptions and job specifications are prepared and reviewed as necessary for all personnel.

6. Fringe Benefits

To administer or approve activities and actions with respect to vacations, holidays, sick leave, and other fringe benefit programs for the personnel within established policies and within the limitations of the budget. A report shall be presented annual to a committee of the Board describing the various benefits and the employee and employer contribution, if any, and what percent fringes are of payroll.

7. Consultants

- a. To recommend to the Board the employment of principal consultants, other than the firm performing the independent financial audit, and contracts and agreements for their services with the committee making an appropriate recommendation to the Board. The awarding of all contracts with consultants shall comply with established policies and procedures.
- b. With Board approval, select and appoint other outside specialized consultants, and to negotiate contracts or agreements for services of such specialized consultants within the limitations of the work plan and budget.
- c. To report to the Board regularly on services provided and the fees received by the principal consultants.

8. Wage and Salary Administration

- a. To develop a systematic wage and salary plan and present it to the Board of Directors for review and approval.

- b. To determine all salary adjustments, except the Chief Executive Officer's, within the Board approved wage and salary plan and policy and within the limitations of the budget. A report is to be provided to the Board annually on the administration of the wage and salary plan.
- c. To evaluate new positions and re-evaluate existing positions, if their responsibilities and authorities substantially change, and as a result of such evaluation or re-evaluation, place these positions in the Board approved wage and salary plan.
- d. To conduct labor surveys as necessary to determine salaries paid for comparable jobs in the area in which the Cooperative recruits personnel and make appropriate recommendations to the Board of Directors on any revisions required in the approved wage and salary plan.
- e. Salary adjustments for the Chief Executive Officer will be determined by the Board.

9. Labor Relations

- a. To negotiate, with or without consulting assistance, labor contracts and make appropriate recommendations to the Board.
- b. To administer the approved labor contract and see that the appropriate supervisors understand the provisions of the contract and its administration.

C. Operations

1. Overall Administration

- a. To direct the day to day operations and activities of the Cooperative except as specified otherwise by the Bylaws or the Board; to delegate authority to immediate staff; to authorize further delegation of authority to any level of management with full recognition that the Chief Executive Officer cannot be relieved of overall responsibility of accountability.
- b. To manage operations of the Cooperative in accordance with the policies of the Board and in accordance with policies and procedures of applicable lending institutions; as well as applicable federal, state, and local laws.
- c. To designate an appropriate person to serve as Acting Chief Executive Officer in an extended absence of the Chief Executive Officer. In case the Chief Executive Officer becomes incapacitated, the Board President shall serve temporarily as Acting Chief Executive Officer until the Board of Directors takes appropriate action, at a meeting to be convened as soon as possible. (See Policy 113, Replacement of the Chief Executive Officer.)

- d. To ensure that staff advice and assistance is provided to the Board and its committees, and to participate in the deliberation of these committees as requested or required.
- e. To accept invitations to participate in or designate other staff members to participate in national, regional, state, and local meetings which further the best interests of the Cooperative within the limitations of Board policy and the approved budget. Participation by the Chief Executive Officer in such activities that require considerable time over a sustained period requires the approval of the Board. The Chief Executive Officer's serving on the board of other organizations shall be reported to the Board.
- f. To serve as the authorized spokesperson for the Cooperative on such matters and to keep the Board up to date and well informed on such matters.

2. Membership Services

To direct membership services in such areas as, but not necessarily confined to, public and member relations, load management, energy conservation, marketing, communications, and research as authorized by the Board.

3. Legislation

- a. To develop and carry out, in coordination with organizations such as APA and NRECA, and within Board policy, a legislative program furthering the Cooperative's objectives and policies. Such a program will include, but not be limited to, research, preparation, and presentation of testimony before appropriate committees, consultation with members of Congress, the state Legislature, and state and federal administrative and regulatory agencies.
- b. To participate with allied groups to obtain their increased understanding and support of the Cooperative's legislative and regulatory objectives and programs.

4. Financial

- a. To make expenditures in accordance with the approved budget, or all non-budgeted items, which in his judgment are vital to effect unanticipated emergency maintenance or repairs.
- b. To invest or reinvest funds, cash investments when due, and cash government bonds, when and if necessary to protect the Cooperative's cash position and to carry out an effective cash management program. Investments will generally be made in CFC securities, in federal government insured or guaranteed securities, or in other appropriate investments.

- c. To authorize and approve the travel expenses of personnel except the Chief Executive Officer'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. Expenses of the Chief Executive Officer will be reviewed by the Treasurer.
- d. To approve accounting systems, procedures, statistics, and types of reports necessary for sound financial management and to meet the requirements of lending and regulatory agencies and for necessary control information required by the Board.
- e. To purchase or lease all equipment, vehicles, hardware, furniture, materials, and supplies within the guidelines of the budget. All purchases shall comply with established policies or procedures. All purchases of major equipment or large quantities of material for transmission or distribution with lines, substations, and associated facilities shall be done with competitive bids when applicable.
- f. To negotiate contracts for construction in accordance with established procedures, with such contracts to be submitted to the Board for approval. Once approved, the contracts will be awarded in accordance with established procedures so construction completed can be reimbursed from loan funds without delay.
- g. To execute and deliver purchase orders or contracts for projects previously approved by the Board.
- h. To approve and sign changes under contracts previously approved by the Board, as provided by the Cooperative purchasing policy.
- i. To determine insurance coverage required for effective risk management and to negotiate purchase of such coverage.
- j. To execute and deliver on behalf of the Cooperative, agreements essential to the management of the Cooperative, such as affidavits, agreements, and leases.
- k. To negotiate franchises and execute, subject to Board approval, all petitions and documents in relation thereto; to acquire by purchase or lease all easements and substation sites and execute, subject to Board approval, deliver, and accept all documents relating thereto.
- l. To execute and deliver all environmental studies and reports; to make application for all permits relating to the operations of the Cooperative; to design, route, and determine the site for all facilities.
- m. To perform all acts necessary or incidental to the management of the operations of the Cooperative, unless such acts are specifically reserved to the Board pursuant to law, the Articles of Incorporation, the Bylaws, or policies.

5. Controls

- a. Operations -
To submit periodic and special reports to the Board on conformity of operations with approved policies and programs; to recommend any revisions requiring Board approval and to direct any remedial action required.
- b. Finances -
To submit periodic and special financial reports to the Board to keep them informed of the Cooperative's financial position and conformance to financial plans and forecasts, and to see that all persons having access to cash or responsible to purchasing of materials are properly bonded in accordance with all requirements of the lending agencies.
- c. Budgets -
To report monthly to the Board on revenues and expenditures compared to the budget. To recommend any revisions required, and to direct any necessary remedial action.
- d. Annual Financial Audit -
To participate with the Board in the review, with the auditor present, of the annual financial audit and management letter and to direct any remedial action required and to ensure that the management letter, along with the Audit Report, is sent to each Board member prior to the meeting at which they are to be discussed.
- e. Materials Management -
 - i. To determine the amount of and establish proper control of all physical inventories to minimize investment in inventories needed to meet operating and construction needs.
 - ii. To ensure that a system is established to accurately account for all materials in stock and used.
- f. Member Complaints -
To report member complaints and corrective action taken to the Board.
- g. Member Meetings -
To report to the Board an analysis by the Chief Executive Officer and his staff of the effectiveness of annual and other member meetings with recommendations on any improvements which can be made.
- h. Reliability of Service -
To submit periodically to the Board a report on service reliability and any remedial action taken.
- i. Bylaws -
To report to the Bylaw Committee of the Board, any recommended revisions to the Bylaws.

- j. Availability of Power Supply -
To report periodically to the Board on load growth compared to the power requirements studies and to recommend plans to meet anticipate growth to ensure an adequate and reliable supply for the members at the lowest possible cost consistent with sound business and management practices.
- k. Rates -
To continually study power and other costs compared to projects and to recommend to the Board, as far in advance as possible, any changes in retail electric rates necessary to maintain financial strength and stability and to meet all requirements of lending and regulatory agencies.
- l. Construction -
To review construction practices with appropriate staff to make sure projects are being constructed in accordance with established policies and procedures so that reimbursement for completed construction can be obtained promptly.
- m. Independent Audit -
To independently assess the adequacy, effectiveness, and efficiency of the systems of control within the organization and the quality of ongoing operations against policies and procedures established by management and/or the Board and other lending institutions; as well as applicable federal, state, and local laws.

103.3. Responsibility

- A. The Chief Executive Officer shall report to the Board periodically on how these delegations are being carried out. The Chief Executive Officer may make further delegations to his staff as required.
- B. The Board is responsible for approving any changes in the delegations to the Chief Executive Officer.
- C. The President shall be responsible for seeing that the performance of the Chief Executive Officer is appraised each year by the Board and the results of such appraisal are discussed with the Chief Executive Officer.

104 BOARD OF DIRECTORS-CHIEF EXECUTIVE OFFICER RELATIONSHIP**104.1 Purpose**

The purpose of this policy is to establish the policy governing the basic relationship between the Board of Directors and the Chief Executive Officer, including the principles involving the delegation of authority.

104.2. Policy

- A. In accordance with the above objective, the Board of Directors has established the following policy:
1. It is recognized that good management is the most important factor in the success of the Cooperative. In exercising such management responsibilities, the Board of Directors reserves its authority to establish policy, approve plans and programs and delegate authority to its Chief Executive Officer, except those that are by law, the Articles of Incorporation and Bylaws of the Cooperative conferred upon or reserved to its members.
 2. The Board of Directors recognizes its responsibility and its needs to establish policies, approve plans and programs, and delegate authority to the Chief Executive Officer to execute and carry out its plans, programs, and policies. All policies of the Board of Directors shall be promulgated at regular and special meetings. The Chief Executive Officer shall be given complete authority for managing the operations of the Cooperative in accordance with the objectives and policies set forth by the Board, including the authority to hire capable personnel within the approved wage and salary plan and policy, to train, supervise and replace them if necessary.
 3. The Chief Executive Officer shall be accountable to the Board for providing complete reports regarding strategic areas of operations in a manner that will allow full opportunity for the Board to measure results of management and operations. The Chief Executive Officer may use, at his discretion, individual members of the General Staff to present special reports for him to the Board of Directors.
 4. In addition to the establishment of policies, the Board shall be responsible for approval of the overall plans involving major operations, and basic requirements such as financial forecasts, budgets, other resources, facilities, investments and the control reports necessary to measure results. The Board may also direct the Chief Executive Officer to conduct necessary replanning to take corrective action to conform to Board objectives, policies, and plans.

5. Directors shall act collectively, as the Board of Directors, under an approved order of business. Each director shall recognize that he has no authority outside of the Board meeting, except and unless he is specifically authorized or assigned a project with authority to act or speak for the Board. The Board recognizes that should any Director undertake in private conversation with others to make commitments for the Board of Directors, and/or the Cooperative that Director becomes involved in a serious breach of policy.
6. It shall be the policy of the Board of Directors to refrain, as individuals, from discussing management problems with the personnel of the Cooperative. At the request of the Chief Executive Officer, the Board of Directors may confer with personnel at regular or special meetings of the Board.
7. It shall be distinctly understood that the "Flow" of authority for the management of the Cooperative shall pass through the Chief Executive Officer, and the Chief Executive Officer shall be the connecting link between the Board of Directors and the personnel. The Board of Directors shall require full and complete information from the Chief Executive Officer concerning all matters in connection with the management of the Cooperative as set forth in Board Policies.
8. Primarily, the purpose of this policy is to define the relationship that shall exist between the Board of Directors, who are the elected representatives of the Cooperative members, and the Chief Executive Officer, who is employed by the Board of Directors. The Board of Directors recognizes that efficient management of the Cooperative can exist only through mutual understanding and complete cooperation between the Board of Directors and the Chief Executive Officer. The Chief Executive Officer is expected to produce results and give an account to the Board of Directors for his stewardship. His performance cannot be of the best unless he is given latitude to exercise independent judgment in executing policies of the Board of Directors. The Board of Directors acknowledges the obligation, and gives the Chief Executive Officer that latitude of judgment and discretion, and expects faithful performance in carrying out all of the policies of the Board of Directors.
9. Employees will be delegated responsibility in accordance with an approved organizational plan and written job descriptions. No employee shall, at any time, receive or be required to take instructions from any member of the Board of Directors, nor will an employee contact any director with any grievance or operating problem, it being clearly understood that the Board, as the governing body of the Cooperative, establishes and approves the general policies and not operating procedures.

10. When an individual Board Member receives a complaint from the membership or the public, he shall refer the complaint to the Chief Executive Officer and may request a full report to the Board of the action taken. The Chief Executive Officer is expected to periodically inform the Board of Directors regarding evidence of members' dissatisfaction and the type and number of complaints.
11. The Chief Executive Officer will be expected to provide leadership in the overall Board and management function and to advise and assist the Board with regard to viewpoints, objectives, policies, and plans.
12. The Board of Directors recognizes its responsibility for the employment of a Chief Executive Officer, and further the additional responsibility for a systematic appraisal of the Chief Executive Officer's performance in order that growth, development and effective improvements are encouraged.

104.3 Responsibility

- A. The Chief Executive Officer shall be responsible for communicating noncompliance of this Policy to the Board of Directors, at a meeting.
- B. All directors shall follow this policy.
- C. Each director has the responsibility to comply with this policy and shall report any non-adherence to the Board of Directors at the next meeting of the Board.

105 QUALIFICATIONS FOR DIRECTORSHIP

105.1 Purpose

The purpose of this policy is stated as follows:

- A. To state the qualifications which have been determined to be essential characteristics of those individuals who are elected or appointed to the Board of Directors.
- B. To provide and inform the membership of guidelines for those persons considering or being nominated and subsequently voted upon for service as a member of the Board of Directors of the Cooperative.
- C. To provide the membership with a means of assuring themselves of the election of members to the Board of Directors who are qualified to carry out the mission of the Cooperative, to support the ideals and objectives, formulate policy, develop plans, and ensure their execution.

105.2 Policy

- A. The Board of Directors of the Cooperative has resolved that the policy contained herein shall be used as a guide when considering the qualifications for directorship.
- B. Any member or members that nominate, by petition, an individual to be voted upon for election to the Board of Directors of the Cooperative, shall be aware of and should carefully and seriously consider the following legal and other requirements and personal qualifications before such a nomination is entered. The Cooperative Bylaws, Section 4.02, Director Qualifications, and Section 4.11, "Close Relative" Defined, stipulate director qualifications as adopted by the membership. In addition to the Bylaws, the person nominated:
 - 1. Must be a member in good standing and a bona fide resident of the district from which elected. Member in good standing is defined as: A member with an established good payment record with the Cooperative as evidenced by receiving service from the Cooperative with no more than one delinquency in payment during the last 12 consecutive months of service.
 - 2. Must be willing to promote and safeguard the interests of the Cooperative.
 - 3. Will be required and, therefore, must be able to represent the entire membership on an impartial basis for the good of all.

4. Must be willing to attend regularly scheduled and special meetings of the Board of Directors; national, state and other meetings of organizations with associated interests that further the cooperative movement; training institutes or seminars which will aid in keeping well informed on matters affecting the Cooperative.
 5. Shall be aware that members of the Board of Directors serve without salary and on a fee basis only for time given to regularly scheduled and approved affairs of the Cooperative plus reimbursement for all reasonable expenses in connection with such scheduled activities.
 6. Shall agree to serve the term of office for which elected until a successor has been appointed or elected.
 7. Shall not use, or cause to be used, the position of director to further any political ambitions.
 8. Shall not be a holder of an elected public office.
- C. Service as a director shall include the following responsibilities for growth and development, for keeping informed and educated, and for participating in all functions of the Board.
1. To expend the effort needed to understand the Cooperative's problems and to provide the judgment needed to reach decisions in constantly changing circumstances.
 2. To support all official decisions and actions made or taken by a majority of the Board.
 3. To conscientiously study the information contained in the reports submitted by and to the Board.
 4. To contribute to the development of statements of functions and responsibilities of Board members and to work toward their constant improvement.
 5. To objectively evaluate and consider the questions and problems with which the Cooperative is faced.
 6. To keep informed as to the ideals and objectives of the Cooperative and to further study and analyze the policies, plans, and problems which result from efforts to achieve such ideals and objectives.

7. To keep informed on, alert to, and aware of the attitudes of the members, the employees, and general public toward the Cooperative's mission, goals, objectives, and policies.
 8. To inform all interested persons about the Cooperative's mission, goals, ideals, objectives, programs, and services.
- D. The Board of Directors should consider the following suggested questions when reviewing the personal qualifications of a nominee for appointment to the Board of Directors:
1. What is the business record of the individual and what has the management of his\her own affairs indicated as to the possession of sound business judgment?
 2. What is the proposed nominee's demonstrated capacity for leadership and reputation for honesty and integrity?
 3. What has the proposed nominee done that would demonstrate his\her capacity for working with others?
 4. What are the ideals and objectives of the proposed nominee as they relate to cooperative principles and philosophy?
 5. What are the problem areas which the proposed nominee might encounter when helping fellow members obtain a more complete understanding of the Cooperative and its activities and problems?
- E. This policy shall be in addition to existing provisions of the Articles of Incorporation and approved Bylaws and is intended to serve as a guide in keeping the members informed on their nominating and voting obligations.
- F. Potential nominees shall be provided with Section 100 of the Director Handbook prior to submitting their petitions for nomination.

105.3 Responsibility

- A. The President shall make certain that a copy of this policy is given to each member considering nomination and those members nominated by petition.
- B. The President is responsible for determining that this policy is adhered to and made known to interested persons at all times.

106 POLITICAL ACTIVITY OF DIRECTORS AND EMPLOYEES OF THE COOPERATIVE

106.1 Purpose

The purpose of this policy is to recognize the rights and privileges of its Directors and employees, as individual citizens, to express themselves on, and participate in political activities. It also recognizes that the exercise of these rights is necessary to foster and maintain our democratic form of government.

106.2 Policy

A. To provide clarification and understanding that will guide the political actions and activities of Directors and employees of the Cooperative and to define the relationships that will be maintained by the Cooperative with candidates and elected representatives of political parties.

1. Directors

Directors of the Cooperative are encouraged to be active in the political party of their choice but they shall not use their position with the Cooperative to endorse either political candidates or parties.

2. Employees

- a. Employees of the Cooperative are encouraged to be active in the political party of their choice but they shall not use their position with the Cooperative to endorse either political candidates or parties.
- b. Employees who are elected to government office shall resign their position with the Cooperative.
- c. All employees are encouraged to familiarize themselves with the position of candidates on the Rural Electrification Program.

106.3 Responsibility

The President of the Board and Chief Executive Officer, respectively, are responsible to ensure this policy is adhered to.

107 CONFLICT OF INTEREST

107.1 Purpose

The purpose of this policy is to spell out those areas where the Directors of Copper Valley Electric Association, Inc. (the Cooperative) shall avoid conflict of interest, or any appearance of conflict of interest, so that the affairs of the Cooperative will always be carried out in a business like and ethical manner.

107.2 Policy

- A. Directors and employees are prohibited from receiving gifts, fees, loans, or favors from suppliers, contractors, consultants, or financial houses, which obligates or induces them to compromise their responsibilities to negotiate, obligate, inspect or audit, or award contracts, with the best interests of the Cooperative uppermost in mind. This does not prohibit receiving gifts or favors of nominal value or casual entertainment, which meets all standards of ethical business conduct, and involves no element of concealment.
- B. The complete confidentiality of business information must be respected at all times. Directors and employees are prohibited from knowingly disclosing such information to those who do not have the need to know, or whose interest may be adverse to the Cooperative, both inside or outside the organization; or in any way using such information for personal gain or advancement; or to the detriment of the Cooperative; or to individually conduct negotiations or make contacts or inquiries on behalf of the Cooperative unless officially designated to do so.
- C. Directors and employees are prohibited from acquiring or having a financial interest in any property which the Cooperative acquires or a direct or indirect financial interest in a major supplier, contractor, consultant, or other entity with which the Cooperative does business. This does not prohibit the ownership of securities in a publicly owned company except in a substantial amount by those in a position to materially influence or affect the business relationship between the Cooperative and such publicly owned company. Any other interest in or relationship with an outside organization or individual having business dealings with the Cooperative, is prohibited if this interest or relationship might tend to impair the ability of the Directors or employees to serve the best interests of the Cooperative. If members of the immediate family of a Director or employee have a financial interest as specified above, such interest shall be fully disclosed to the Board of Directors which shall decide if such interest should prevent the Cooperative from entering into a particular transaction, purchase, or employment services. The term "immediate family" means a person who, by blood or in-law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the principal. Any person residing in the Cooperative's Director's or employees' households shall be regarded as "immediate family".

- D. Every Director and employee of the Cooperative is expected to avoid situations which might be construed as conflicts of interest since it is not feasible in a policy statement such as this to describe all the circumstances and conditions that might be or have the potential of being considered conflict of interest.

107.3 Responsibility

- A. Each Director of the Cooperative shall make every reasonable effort to comply with the letter and spirit of this policy.
- B. The Board of Directors is responsible for reviewing all interpretations or violations of this policy. Decisions considered inconsistent with this policy are to be reported to the entire Board.
- C. Each Director and employee must disclose any situation which in their opinion, violates, may violate, or could appear to violate the intent of this policy.

107 ATTACHMENT - SEE APPENDICES

108 INSURANCE FOR DIRECTORS**108.1 Purpose**

The purpose of this policy is to indemnify directors, former directors, employees, and the Chief Executive Officer against liability and to provide insurance.

108.2 Policy

- A. The Cooperative Bylaws provide in Section 6.12 indemnification based upon good faith business judgments.
- B. Directors', officers', and employees' liability insurance shall be provided by the Cooperative, which provides up to \$5,000,000 in the aggregate for claims made against them while acting on CVEA business, individually or collectively, for a wrongful act.
- C. 24 Hour Accident Insurance (NRECA) \$20,000
- D. Business Travel Insurance (NRECA) \$100,000

108.3 Responsibility

- A. The Chief Executive Officer shall annually report to the Board of Directors insurance availability, cost, and recommend appropriate revisions.
- B. Each Board member shall be aware of limits and limitation of insurance coverage.

109 DIRECTOR PARTICIPATION IN COOPERATIVE MEETINGS**109.1 Purpose**

The purposes of this policy are as follows:

- A. To establish procedure for payment of fees and reimbursement of expenses for attendance at Cooperative meetings.
- B. To establish guidelines for Director participation in Cooperative meetings by electronic means.

109.2 Authority

- A. Article V of the Cooperative's Bylaws sets forth the rules governing regular and special meetings of the Board of Directors.
- B. Section 5.01(c) of the Bylaws provides that regular and special board meetings may be conducted via remote communication devices.
- C. Section 5.05 of the Bylaws authorizes the Board of Directors to define terms and conditions for Director participation in board meetings.
- D. Terms and conditions for Director participation in Cooperative meetings is further summarized on Attachment A.
 - 1. Corporate counsel is authorized to participate in all meetings of the Board of Directors by electronic means when requested.

109.3 General Policy

- A. Regular or special board meetings may be held by video or teleconference in the event of adverse weather or when the topics require attention but do not justify the time and travel to meet.
- B. Attendance
 - 1. Directors are expected to attend, in person, all regular monthly board meetings.
 - 2. Directors may participate in regular and special board meetings by telephonic means at the Director's option.
 - 3. Directors missing five regular meetings in any 12 consecutive months will be deemed to have resigned their seat on the Board of Directors. (Section 5.05(a) of the Bylaws)

- C. Directors not able to participate at a regular monthly meeting are responsible for contacting the Board President, or his designee, in advance of the meeting.
- D. Weather Considerations
 - 1. Winter weather constraints on the day of a regular or special board meeting will be evaluated for consideration for participation by videoconference. The Board President will contact at least one director from the other district to determine if the meeting should be conducted via videoconference.
 - 2. Weather constraints to be considered:
 - a. Richardson Highway is closed between Valdez and Glennallen
 - b. Temperature is colder than 40° below zero (Fahrenheit)
 - c. High winds and/or excessive precipitation forecast
 - d. Other

109.4 Meeting Fees & Expenses

- A. Cooperative Meetings (in service area)
 - 1. The Board of Directors will receive a daily fee of \$125 for each board meeting, committee meeting, or other approved meeting attended within the service area. Where one or more meetings are held the same day, one daily fee will be paid.
 - 2. In addition, the Board of Directors may receive mileage to and from their principal residence to approved meetings at the standard federal mileage rate.
 - 3. If a regular meeting is held and a quorum is not present, the attending Directors will receive the daily fee plus mileage at the standard mileage rate to and from such meetings and may be reimbursed for any expenses.
- B. Community and Public Meetings Regarding Cooperative Business (in service area)
 - 1. Expenses and mileage will be paid for Directors attending community meetings in their own district.
 - 2. If Directors travel to the other district for such meetings, director fees, expenses, and mileage will be paid.

C. Cooperative Business (outside the service area)

1. The Board of Directors will receive a daily fee of \$125 for each day of attendance at state, regional, and national meetings or other approved meetings or training sessions outside of the service area.
2. Where one or more meetings are held the same day, one daily fee will be paid.

D. Travel Fee Reimbursement

1. In-state travel - For in-state travel, fees will be paid for "documented official travel days" for attendance at all approved Cooperative meetings.
2. Out-of-state fees - For out-of-state travel, fees will be paid for "documented official travel days" up to two days each way for attendance at approved Cooperative meetings.
3. Directors are responsible for documenting the official travel days upon which fees are calculated on the Cooperative expense sheet.

E. Expense Reimbursement

1. Directors may be reimbursed for reasonable and necessary business expenses including meals, lodging, airfare, ground transportation, and incidental expenses.
2. All requests for reimbursement must provide the time, place, business purpose, business relationship of person involved, and the amount to qualify for reimbursement.
3. Except for lodging all reimbursements greater than \$25 must be supported by a receipt.
4. All reimbursements for lodging must be supported by a receipt.
5. Travel by personal automobile to and from approved meetings or the appropriate airport will be reimbursed at the standard mileage rate.
6. To the extent reasonably convenient, the most economical means and combination of transportation will be used. Payment for meals and room expenses for travel time (especially when the trip is made by automobile as a personal preference to public transportation) shall not exceed such expenses as might be incurred if the trip was made by airline, to the extent such transportation is available. Where extenuating circumstances

prevent compliance with this limitation, an itemized statement of expenses may be presented to the Board for approval.

7. Directors are responsible for completion of a CVEA expense sheet to claim reimbursement for mileage, Director fees, and travel day(s) fees, and out-of-pocket expenses.
8. Director expense packets will be available for Board review at regular monthly board meetings.

109.5 Responsibility

- A. The Chief Executive Officer is responsible for communicating to the Board President expenses claimed which are inconsistent with this policy.
- B. Each Director shall be responsible for adhering to this policy.
- C. The Board President shall be responsible for the administration of this policy.

Director Participation in Cooperative Meetings

	Regular	Special	Pol. Comte Work Sess
Director Meetings - Attendance in Person			
Counts as attendance?	Yes	Yes	N/A
Is part of a quorum?	Yes	Yes	N/A
Allowed to vote?	Yes	Yes	N/A
Is fee paid if the Director attended within service area?	Yes	Yes	Yes
Is mileage paid?	Yes	Yes	Yes
Are expenses paid?	Yes	Yes	Yes

Videoconference - Board Meeting

President and 1 Director may call videoconference meeting	Yes	Yes	Yes
Counts as attendance?	Yes	Yes	N/A
Is part of a quorum?	Yes	Yes	N/A
Allowed to vote?	Yes	Yes	N/A
Is fee paid if the Director attended within service area?	Yes	Yes	Yes
Is mileage paid?	Yes	Yes	Yes
Are expenses paid?	Yes	Yes	Yes
Is Executive Session allowed?	Yes	Yes	N/A

Teleconference - Board Meeting

President may call teleconference meeting	Yes	Yes	Yes
Counts as attendance?	Yes	Yes	N/A
Is part of a quorum?	Yes	Yes	N/A
Allowed to vote?	Yes	Yes	N/A
Is fee paid if the Director attended within service area?	Yes	Yes	Yes
Is mileage paid?	Yes	Yes	Yes
Are expenses paid?	Yes	Yes	Yes
Is Executive Session allowed?	No	No	N/A

Teleconference - Individual Director

Can a Director (in area) opt to participate by phone?	Yes	Yes	Yes
Can a Director (out of area) opt to participate by phone?	Yes	Yes	Yes
Counts as attendance?	Yes	Yes	N/A
Is part of a quorum?	Yes	Yes	N/A
Allowed to vote?	Yes	Yes	N/A
Is fee paid if the Director attended within service area?	Yes	Yes	Yes
Is fee paid if the Director is outside the service area?	Yes	Yes	Yes
Is mileage paid?	No	No	No
Are expenses paid?	No	No	No
Is there a limit on # of teleconference participations in 1 year?	No	No	No
Is Executive Session allowed?	No	No	N/A

Videoconference - Individual Director

Can an individual Director (in area) opt to participate by video?	No	No	No
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110 BOARD TRAVEL POLICY

110.1 Purpose

The purpose of this policy is as follows:

- A. To provide effective means and procedures for the Board of Directors in rotation of duties and responsibilities.
- B. To establish procedures and guidelines for travel by members of the Board.

110.2 Policy

- A. It shall be the policy of the Board of Directors to give each board member equal training and attendance at meetings.
 - 1. Approval
 - a. When a director has been selected by the Board to serve as the Cooperative's representative on a standing industry board or committee, it is presumed that appropriate travel and expenses are also approved.
 - b. No approval will be required for board members travel to regular board meetings, special board meetings, annual membership meetings, board work sessions, board committee meetings, and other meetings within the service area. Reimbursement of travel expenses and daily fees will be as prescribed in the Directors Fees and Expenses policy. The Board reserves the right to review reasonableness of expenditures.
 - c. Those directors not selected to represent the Cooperative and who wish to travel outside the service area will be by approval of the Board. This includes: APA meetings, regional meetings, national meetings, FDPPA meetings, and educational meetings (schools). In the event that the presence of at least one board member is required for a meeting within the state, but outside the service area, approval may be granted by the President if circumstances do not allow for Board approval at a regular meeting. For example: An emergency or unscheduled meeting might be called concerning the FDPPA. This meeting may fall between the Cooperative's regular board meetings, and approval by the Board may not be possible. The President or acting President may give approval for a board member to attend such meeting. The President also has the option to poll other board members by telephone concerning emergency or unscheduled training.

2. Discretion should be used by the Board when approving out-of-area travel. It may not be necessary that the entire Board be present at a meeting outside the area to represent the Cooperative.
3. When approving Board travel by board members for educational purposes, the following criteria should be considered:
 - a. length of time on the Board;
 - b. the board member's desire to remain on the Board;
 - c. the educational courses that have been taken by the board member;
 - d. the board member's reason for wanting to attend a particular training session.
4. When board members travel to meetings outside of the service area, they will prepare a written report of the meeting for the next regular board meeting.
5. Under no circumstances will the travel expenses for a spouse or friend of a board member be paid by the Cooperative. (See Directors Fees and Expenses, Policy 109, for details.)
6. All board expenses will be reimbursed by the Cooperative according to Directors Fees and Expenses, Policy 109.
7. In the event that travel for a particular meeting may be lengthy and require considerable monetary outlay by the board member, he/she may request a travel advance not to exceed 75% of the projected costs including air fare, personal vehicle use, room and board, taxi and bus fares, and other miscellaneous expenses.
8. The board member will prepare an expense sheet with receipts, following travel, which will be presented to the Chief Executive Officer for reimbursement minus any travel advance.

Board member expense packets will be available for Board review at regular monthly board meetings.

9. Each board member is responsible to review his/her expenses and meeting attendance. Board members should be willing to travel in order to increase their knowledge of state, national, and political influences on the Cooperative.

110.3 Responsibility

- A. Each board member shall be responsible for adhering to this Policy.
- B. The Board President shall be responsible for the administration of this Policy.
- C. The Chief Executive Officer shall bring instances of non-adherence of this policy to the President of the Board of Directors.

111 PARLIAMENTARY AUTHORITY

111.1 Purpose

The purpose of this policy is as follows:

- A. To set forth general parliamentary authority for conduct of board and committee meetings.
- B. To adopt standing rules for conducting Cooperative board and committee meetings.

111.2 Policy

- A. Parliamentary procedure at all meetings of the members, of the Board of Directors, and any committee provided for in the Bylaws, and of any other committee of the members of the Board of Directors, which may from time to time be duly established, shall be governed by the most recent edition of *Robert's Rules of Order*, except to the extent such procedure is otherwise determined by law or by the Cooperative's Articles of Incorporation or Bylaws by resolution of the Board of Directors or any policy adopting standing rules of parliamentary authority.
- B. As a supplement to *Robert's Rules of Order* the following standing rules are adopted.
 - 1. Board members requesting to place a topic on the agenda shall do so a minimum of ten days prior to the meeting date. Documentation in support of the agenda topic shall be provided when the request is made.
 - 2. Agenda items that have not been received by the stated deadline shall only be considered after a majority vote of the Board of Directors. These late agenda items will be added to the agenda as the last items of Other Business, after all other items have been considered.
 - 3. The presiding officer will follow the six steps to a motion procedure. The presiding officer may require that motions be made in writing. Motion forms will be made available at each meeting.
 - 4. At board meetings, each board member may speak a second time to a motion only if no other board member who has not already spoken desires to speak. The board may choose to extend debate by a majority vote. No member may speak for more than three minutes each time they are recognized. Motion makers may not speak against their own motions.

5. The presiding officer will keep a speaker's list as necessary and recognize each member in turn, alternating between speakers for and against each motion.
 6. Votes will be taken by show of hands or any other method approved by the Board. Unless excused, the presiding officer will vote on all motions.
 7. Board members will be expected to perform due diligence by having read all of the material provided in a timely manner before the board meeting.
- C. These rules can be suspended by 2/3 vote of the Board of Directors.

111.3 Responsibility

- A. The presiding officer or committee chair is responsible for ensuring parliamentary procedure is followed.
- B. Each Director is responsible for adhering to parliamentary rules and for maintaining proper decorum in board and committee meetings.

113 REPLACEMENT OF THE CHIEF EXECUTIVE OFFICER**113.1 Purpose**

The purpose of this policy is as follows:

- A. To establish procedures for the resignation, termination, incapacity, or death of the Chief Executive Officer (CEO).
- B. To establish procedures whereby an Acting CEO is appointed in the event of the termination, death, or incapacity of the CEO.
- C. To establish procedures for appointing an Interim CEO until such time as a successor CEO is named.
- D. To define the process by which the Board shall undertake the search for and selection of a competent and qualified CEO for the Cooperative.

113.2 Policy

- A. Resignation of the CEO
 - 1. The CEO shall give the Board of Directors as much advance notice as possible of his resignation and in no case less than 120 days.
 - 2. The departing CEO will assist the Board as required in recruiting and selecting a successor CEO.
- B. Termination of the CEO
 - 1. The CEO may be terminated by the Cooperative for misconduct or failure to perform the duties required of the CEO. In such a case, termination shall be “for cause” and termination shall occur only after written notice has been provided to the CEO and he has been extended an opportunity to respond to the allegations of cause. Termination shall occur only for substantial and material failure to perform or misconduct.
 - 2. In the event of proposed disciplinary action for alleged incompetence, the Board of Directors shall conduct a special evaluation of the CEO and provide the CEO written notice of the Board’s concerns before taking any such action.
 - 3. A termination for failure to perform or misconduct shall be finalized in writing and shall state the basis of the termination. The termination document shall be confidential between the Board of Directors and the CEO.

4. In the event of the death, incapacity, or termination of the CEO, the Acting CEO will ensure that all Cooperative property is recovered.

C. Assumption of CEO's Responsibilities in the Event of the Death or Incapacity of the CEO

1. In the event of the death or incapacity of the CEO, the Board President shall appoint a senior management employee to the position of Acting CEO.
2. The Acting CEO will immediately notify the following persons and organizations:
 - a. Members of the Board
 - b. Cooperative General Counsel
 - c. Regional Vice President of the National Rural Utilities Cooperative Finance Corporation
 - d. National Rural Electric Cooperative Association Executive Search Department
3. The Acting CEO, in consultation with the President of the Board, will schedule a Board of Directors meeting within 30 days to discuss replacing the CEO.

D. Appointing an Interim CEO

1. At the board meeting referred to in II.C.3 of this policy, the Board of Directors, by majority vote, shall appoint an existing employee to serve as the Interim CEO until such time as a successor CEO is named.
2. In the event there are no qualified, existing employees, the Acting CEO shall be directed to contact CFC, NRECA, and the Rural Utilities Service General Field Representative to secure a list of qualified interim candidates.
3. In appointing the Interim CEO, the Board shall consider the educational background, professional experience, leadership skills, and qualifications of the individual to serve as the Interim CEO of the Cooperative.

E. Hiring a replacement CEO

1. The Board has two options for recruiting and selecting a CEO. Those options include retaining a consultant to assist with the process or alternatively conducting the process themselves. As an alternative to the second option, the Board may elect to create a special CEO Search Committee to conduct the process.

2. Activities required in the search effort include such services as preparing and placing advertisements for the position, rewriting the position description, receiving and reviewing resumes from the candidates, performing background checks, assisting with interviews or performing preliminary screening and establishing a short candidate list, and performing other services which may be desired by the Board.

3. Background Verification

Each prospective candidate shall authorize the Cooperative to perform a complete background review including his military, criminal, civilian, employment, credit and educational attainments. In addition, candidates shall be required to provide five professional and three personal references.

The candidate shall be advised that the results of the review may be subject to disclosure during the review process. The results of the review shall be made available to the Board but shall otherwise be deemed confidential information not subject to disclosure except by court order entered by a court of competent jurisdiction.

4. Short List

- a. The professional consultant or Board committee shall recommend to the Board those candidates that appear to warrant further consideration.
- b. In the case where there is no consultant or committee, the full Board shall determine those candidates that appear to warrant further consideration.
- c. While there can be no specific number for such a short list, it is understood that the purpose is to focus on those candidates who appear to have the best credentials required for the position, and to have that number be small enough for interview and final selection purposes.

5. Interviews

- a. The entire Board, and in no event less than six members, shall interview the candidates on the short list.
- b. Interviews of the candidates should take place at the Cooperative's headquarters, or at a facility customarily used for meetings of the Board. The Board may, at its discretion, send members of the Board to a site for the purpose of conducting background checks if deemed necessary. The costs of bringing prospective candidates and their spouses to the service area for interviews shall be borne by the Cooperative.
- c. The Board shall determine the process for conducting interviews.

6. Selection

Selection shall be made upon the affirmative vote of not less than six members of the Board as a whole. The vote shall be taken as soon as practicable after the interview process.

7. Offer of Employment

- a. Once a candidate is selected, an employment offer acceptable to the Board should be made.
- b. Terms and conditions of employment including at a minimum, start date, salary, benefits, housing, relocation expense, discipline and termination of employment, appraisal, and probationary period should be set forth in a written employment agreement acceptable to General Counsel. The agreement should be executed by the candidate and the Board President.

F. Post Hire Activities

Subsequent to the selection of the CEO, the following resolutions may need to be adopted.

1. NRECA Designate and Alternate
2. CFC Designate and Alternate
3. National Rural Utilities Cooperative Finance Corporation
4. Use of Commercial Paper
5. National Bank of Alaska Signature Authorization
6. SelectRE Pension Plan Adoption Agreement
7. Investment Authorization – National Rural Utilities Cooperative Finance Corporation
8. Investment Authorization – National Bank of Alaska
9. Safe Deposit Box Access
10. Employee Authorization to Hold Credit Cards
11. Grants of Rights of Way
12. Grants of Rights of Way Pursuant to 25 CFR 169

13. Use of CFC Line of Credit
14. National Bank of Alaska Wire Transfer Authorization
15. FDPPA Director and Alternate
16. APA Board of Directors Representative and Alternate
17. ARECA Insurance Exchange Board of Trustees Delegate and Alternate
18. Other

113.3 Responsibility

It shall be the responsibility of the President of the Board to administer this policy.

114 BOARD OF DIRECTOR MEETING DOCUMENTATION**114.1 Purpose**

The purpose of this policy is as follows:

- A. To establish procedures for recording and transcribing minutes of meetings of the Board of Directors and to accurately document said meetings.
- B. To establish a consistent manner in which to accurately record votes cast by board members.
- C. To establish a retention period for board meeting tapes which is in the best interest of the Cooperative.
- D. To establish procedures for the systematic disposal of board meeting tape recordings.

114.2 Policy

- A. It is a duty of the recording secretary to tape record all board meetings. Handwritten notes will be taken to accurately document the actions of the board as backup in the event of a mechanical failure of the recorder.
 - 1. Meeting tapes are to be used to transcribe meeting minutes; and
 - 2. Meeting tapes are to be used to clarify any discrepancies which may arise in the written minutes; and
 - 3. Meeting tapes will be retained until after the regularly scheduled board meeting following the meeting in which the minutes were approved as presented or amended by the Board of Directors; and
 - 4. Meeting tapes will be retained by the recording secretary and magnetically erased promptly after the prescribed retention period.
- B. Consistent with Robert's Rules of Order and parliamentary procedures, the minutes of meetings of the Board of Directors will be produced in summary fashion. Motions made during the meeting and acted upon will be recorded verbatim. To ensure accuracy, the tape of the meetings will be used to validate motions.
- C. Consistent with Alaska Statute 10.25.175, a vote shall be conducted in such a manner that the members attending the meeting may know how each board member voted.

1. The recording secretary will record the votes of the Board of Directors by documenting whether the resolution or other item being voted upon passed or failed to pass.
2. The minutes of the meetings will reflect whether the resolution or other item being voted upon passed or failed to pass, as well as the name/s of the director/s specifically requesting to be noted as dissenting from the result.
3. When a roll-call vote is requested for a specific matter, the actual roll-call voting will be documented in the minutes.
4. In the event of a teleconferenced meeting, the Board will conduct roll call voting, whereby the overall votes will be documented as noted above.

114.3 Responsibility

- A. The Executive Assistant will provide day-to-day administration of this policy to the best interests of the Cooperative.
- B. The Chief Executive Officer has final responsibility to ensure the Cooperative's overall policies are adhered to.

115 ELECTION OF OFFICERS

115.1 Purpose

The purpose of this policy is to establish that all officers shall be nominated and elected by secret ballot.

115.2 Policy

- A. The Board of Directors will elect officers at the first regular board meeting following the annual meeting.
- B. The nomination and election process will be as follows:
 - 1. The CEO will preside over the nominating and election proceedings for the office of President. Once the election for President is concluded, in accordance with the following procedures, the newly elected President will preside over the nominating and election proceedings for all other officers.
 - 2. Nominations and the election of each officer will be carried out in the following order: (a) President, (b) Vice President, (c) Secretary, and (d) Treasurer. The election of each position in the above listed order will be completed before proceeding to nominations for the next position. An election involves nomination and election ballots.
 - 3. Nomination and elections will be by secret ballot. Each board member desiring to nominate a candidate for any position may do so at the time a nominating ballot for the position is called for. It is not mandatory for each Director to submit a nominating ballot. If only one person is nominated, that person will be deemed to be elected. In the event all nominees decline to serve if elected, an additional nominating ballot will be taken. Any nominee for a position listed above must be a board member.
 - 4. If more than one person is nominated for a position, all nominees for the position will be candidates for election to the position. If a candidate receives a majority of votes cast on the first election ballot, that person is elected to the position. If no candidate receives a majority of the first election ballot, the candidates with the two highest numbers of votes will be voted on with a second election ballot. In the event of a tie vote among the top vote getting candidates, election ballots will be taken until a candidate receives a majority of the votes cast.

115.3 Responsibility

The Board President shall be responsible for administration of and compliance with this policy.

201 COMMITTEES OF THE BOARD OF DIRECTORS

201.1 Purpose

The purpose of this policy is to provide for the establishment of committees and to ensure that the functions are clearly defined and reviewed periodically.

201.2 Policy

A. Establishment of Committees

1. It shall be the responsibility of the Board of Directors to establish or abolish committees, approve changes in committee functions, and receive and act upon their reports or recommendations.
 - a. The standing committees shall be Finance, Policy, Bylaws, and Governance.
 - b. The special committee shall be CEO Evaluation.
2. The President, in consultation with other Board members, shall appoint the members of committees, taking into consideration the preference of the Directors and their experience and expertise.
3. The chair of standing committees shall be appointed by the President.

B. General Functions of Committees

1. The President and Secretary shall serve as members of all Standing Board Committees and all board members will be encouraged to participate as voting members of the committee.
2. Each committee shall have such powers and duties as may be delegated to it by the Board of Directors. Functions of the committee shall be defined in a written policy that shall be reviewed periodically by the Board of Directors.
3. Board committees shall only meet as needed. The Committee Chair may convene a committee meeting. Dates of all committee meetings shall be coordinated with the Chief Executive Officer, or his designees, to avoid conflict and to assure completion of any required staff study or support.
4. Each committee member will be notified at least five days in advance of the committee meeting. Each Director will be notified at least five days in advance of all Standing Committee Meetings.
5. The Chief Executive Officer, or his designees, shall attend each committee meeting to provide staff advice and assistance.
6. A report shall be made by the committee chair to the Board at its next

meeting.

201.3 Responsibility

- A. The President of the Board of Directors shall make every reasonable effort to ensure that this policy is implemented and adhered to.
- B. The Chief Executive Officer shall assist the President to carry out these functions.

202 FUNCTIONS OF THE FINANCE COMMITTEE**202.1 Purpose**

The purpose of this policy is to describe the functions of the Finance Committee.

202.2 Policy**A. Functions**

1. Reviewing and approving work plans and budgets in terms of achieving the desired end results in the operations of the Cooperative and providing the best possible service to the members.
2. Considering and adopting financial plans and policies essential to maintaining a sound financial structure for the Cooperative.
3. Reviewing the annual financial audit and the management letter, with the auditor present, and ensuring that any necessary action is taken.
4. Establish policies governing the investment of funds of the Cooperative.
5. Other assignments deemed appropriate by the Board of Directors.

B. Committee Membership

1. The Committee shall be comprised of all Directors.
2. The Committee is a continuing one.

202.3 Responsibility

- A. The Chair of the Finance Committee shall make every reasonable effort to ensure that this policy is implemented and adhered to.
- B. The Chief Executive Officer shall assist the Committee to carry out its functions.

203 FUNCTIONS OF THE POLICY COMMITTEE**203.1 Purpose**

The purpose of this policy is to describe the functions of the Policy Committee.

203.2. Policy**A. Functions**

1. Follows Policy 101, Policy Formation and Approval, as the overall guideline in discharging its duties.
2. Reviewing, in consultation with the Chief Executive Officer, proposed policies and adopting such policies as appropriate, and ensuring that these policies are reviewed periodically.
3. Reviewing in consultation with the Chief Executive Officer, proposed policies, and adopting policies essential to provide opportunities for growth, development, retention and administration of personnel.
4. Serves the Board in other areas as may be specifically assigned to it by the President.

B. Committee Membership

1. The Committee is a continuing one.
2. The term of such member runs for one year or until a successor is appointed.
3. The Committee shall be comprised of not less than four Directors.

203.3 Responsibility

- A. The Chair of the Policy Committee shall make every reasonable effort to ensure that this policy is implemented and adhered to.
- B. The Chief Executive Officer shall assist the Committee to carry out its functions.

204 FUNCTIONS OF THE BYLAWS COMMITTEE

204.1 Purpose

The purpose of this policy is to describe the functions of the Bylaws Committee and to establish the process for bylaw amendments.

204.2 Policy

A. Functions

1. Review the Articles of Incorporation and Bylaws as necessary with the Chief Executive Officer, and legal counsel if appropriate, to determine if modifications are necessary for the benefit of the Cooperative and its members.
2. Notice members of procedures and requirements for proposing Bylaw amendments. Review responses.
3. Hold public meetings in each district to receive member input on proposed Bylaw changes.
4. Attend the annual meeting to report to the membership on the proposed amendments.

B. Process for Bylaw Amendments

1. Board Initiated Changes
 - a. Bylaw Committee meets to review proposals from the Board.
 - b. Committee will seek member input on proposed amendment(s).
 - c. Committee makes recommendation to the Board.
 - d. With Board approval, proposed amendment goes on ballot for consideration by the membership.
2. Amendments by Petition
 - a. Goes on ballot if: filing a proposed amendment petition in writing, with 10% of the members signing the petition, to the Secretary of the Cooperative at least 90 days before a regular or special membership meeting.
 - b. Committee will review amendment by petition and may seek member input on the amendment by petition.

3. Motion from the Floor of a member meeting
 - a. A motion for an amendment, duly seconded and carried by majority vote, will be placed on the ballot for the next scheduled meeting of the members.
 - b. Committee will review amendment by motion with the Board of Directors for recommendation. Committee will seek member input on the amendment by motion.

C. Committee Membership

1. The Committee is a continuing one.
2. The term of each committee member runs for one year or until a successor is appointed.
3. The Committee shall be comprised of not less than four Directors.

204.3 Responsibility

- A. The Chairman of the Bylaws Committee shall make every reasonable effort to ensure that this policy is implemented and adhered to.
- B. The Chief Executive Officer shall assist the Committee to carry out its functions.

205 FUNCTIONS OF THE CEO EVALUATION COMMITTEE**205.1 Purpose**

The purpose of this policy is to establish the functions of the CEO Evaluation Committee.

205.2 Policy**A. Functions**

1. Meet with CEO in December to discuss project
2. Send out evaluation packet
3. Collect responses
 - a. Prepare raw data in form suitable for board review
 - b. Summarize data into draft evaluation
4. Secure compensation information
5. Discuss draft evaluation with CEO and plan Special Board Meeting
6. Prepare packet for executive session
7. Presides over executive session meeting

B. Organizational Relationships

1. Reports to the Board
2. The committee selects its own chair
3. The committee shall meet only as necessary to complete the annual CEO evaluation
4. The committee consists of two Directors, appointed by the President, and the CEO

C. Committee Membership

1. The committee is a continuing one.
2. The term of each member is indefinite or until a successor is appointed.

205.3 Responsibility

1. The Chair of the CEO Evaluation Committee shall make every reasonable effort to ensure that this policy is implemented and adhered to.
2. The CEO shall assist the committee in carrying out its functions.

206 FUNCTIONS OF THE GOVERNANCE COMMITTEE**206.1 Purpose**

The purpose of this policy is to describe the functions of the Governance Committee.

206.2 Policy**A. Functions**

1. Periodically review governance policies, particularly those pertaining to conducting meetings.
2. Annually conduct a self assessment exercise.
3. Periodically arrange for a facilitated board appraisal.
4. Discuss succession planning to include cooperative officers and director recruitment.
5. Annually review the Director Code of Conduct and address noncompliance.
6. Prepare the director expense budget no later than September 30 of the preceding year.
7. Develop a training program for the Board; consider education requirements.
8. Planning the annual board calendar.
9. Conduct new director orientation from a board member perspective.
10. Accept special projects as assigned by the Board of Directors.

206.3 Responsibility

1. The Chair of the Governance Committee shall make every reasonable effort to ensure that this policy is implemented and adhered to.
2. The CEO shall assist the committee in carrying out its functions.

DIRECTOR'S
OATH OF OFFICE

STATE OF ALASKA
Third Judicial District

I, _____, the undersigned, as an elected director of Copper Valley Electric Association, Inc., (CVEA) do solemnly swear that I will fairly, impartially, and to the best of my ability, perform my duties to protect and preserve the assets of this Corporation, so help me God.

I further swear:

1. That I am a member in good standing of CVEA;
2. That I am a bona fide resident of the district from which elected;
3. That I am not in any way employed by or financially interested in a competing enterprise or business primarily selling electric energy or supplies or services to CVEA;
4. That I will inform the Board of Directors of CVEA immediately if any of the conditions recited in paragraphs 1 through 3, above, should change;
5. That I will uphold the Code of Director Conduct and will disclose to the Board of Directors any action inconsistent with the Code of Director Conduct;
6. That I will at all times uphold, and act in accordance with, the policies and procedures of CVEA, as may from time to time be amended or supplemented; and
7. That in connection with my service on the Board of Directors of CVEA, I will at all times act in accordance with all applicable laws, and in good faith, in a manner I reasonably believe to be in the best interests of CVEA, and with care, including reasonable inquiry, that an ordinarily prudent person in a like position would use under similar circumstances.

Signature: _____ Date: _____, 2008

ACKNOWLEDGEMENT

Subscribed and sworn to me this _____ day of _____, in _____, Alaska, at the Copper Valley Electric Association, Inc. Board of Director's meeting of _____, lawfully assembled.

Notary Name

Notary Seal

Notary Signature

CODE OF CONDUCT

Purpose

The purpose of this policy is to set forth standards of conduct for Directors of CVEA.

Policy

A. Preamble

Copper Valley Electric Association (CVEA) believes that a fundamental aspect of strong corporate governance is a commitment to the highest ethical standards of conduct by the members of the CVEA Board of Directors (Board), corporate officers and employees. In recognition of this principle, the Board has adopted this code of director conduct. Every Director is expected to maintain and to foster these standards, and every Director has an obligation to disclose any action that is believed to be inconsistent with them.

B. Duties of Care and Loyalty

1. Duty of Care

The law (AS 10.25.145) requires Directors to perform their duties as members of the Board and members of committees within the scope of the person's duties for CVEA, and with a reasonable belief that the conduct was in, or not contrary to, the best interests of CVEA. This requirement is similar to (but still different from) the duties of directors in for profit corporations under 10.06.450(b) that they perform their duties in good faith, with sound business judgment and with the care, including reasonable inquiry, of an ordinarily prudent person. The Board and its committees take action as a body and Directors' duties are exercised as a part of those bodies. CVEA's interests are served by full and open participation by all Directors in meetings. It is the policy of CVEA that Directors shall conduct themselves professionally, with the highest standards of honesty, truth, accuracy, fairness and responsibility to CVEA and all its members. Directors shall not knowingly disseminate false or misleading information, and shall act promptly to correct erroneous communications for which they are responsible. Attached, as Attachment A, is a partial listing of certain requirements imposed by the Duty of Care.

2. Loyalty

Directors must be loyal to CVEA and act at all times in the best interest of CVEA and its members. Their loyalty must be to CVEA and all its members, not just to one group of members. Directors must put the corporate and member good before their personal interest. Once the Board has acted, a Director may seek change through Board meetings, but shall not publicly undermine public or member

confidence in the Board. A partial listing of requirements of the Duty of Loyalty is attached as Exhibit B.

The following discussion of the duty of loyalty highlights some aspects of this issue that are important to CVEA and its directors:

a. **Corporate Business Opportunities**

Except as prohibited elsewhere in this code, a Director may engage in business other than CVEA's business. However, a Director may not personally exploit a corporate business opportunity. A corporate business opportunity is (1) a business opportunity in CVEA's line of business, or proposed expansion or diversification, (2) which CVEA is financially able to undertake, and (3) which may be of interest to CVEA. A director who learns of such a business opportunity in any way should disclose that opportunity to CVEA and determine if CVEA is interested in taking advantage of the opportunity. If CVEA is not interested in the opportunity, then and only then, can a director or directors personally take advantage of the opportunity.

This restriction on personal exploitation of corporate business opportunities shall continue after a Director leaves the Board - no former Director may exploit for personal advantage corporate opportunities that he or she learned of as a Director.

b. **Conflicts of Interest**

As a general matter, business dealings that represent or appear to represent a conflict between the interests of CVEA and those of a Director should be avoided. Such conflicts may arise because of employment or business activities of a Director or Relative. While serving on committees, Board members must avoid conflicts and either disclose such conflict and avoid participating in decisions or resign from the committee.

Directors should be aware of the specific provisions of Section 4.02 of the CVEA By-laws, and of CVEA Policy 107.

First, CVEA By-law Section 4.02 provides in part that no person may serve as a director who is an employee of CVEA or is the close relative of an incumbent director or employee, or who is in any way employed by or financially interested in a competing enterprise, including selling electric energy or electric supplies to CVEA. "Close Relative" means a person who, by blood or in-law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece" of the Board member. (See Bylaw Section 4.11

(defining "close relative"), Policy 412 (defining "close relative"), and Policy 1.07 (defining "immediate family" in the same words).

Second, CVEA Policy 107 "Conflict of Interest" prohibits Directors and employees from receiving gifts, fees, loans, or favors from those doing business with CVEA that obligates or induces the Director or employee to compromise their responsibilities to CVEA. (This does not include gifts of a nominal value or casual entertainment.)

In addition, Policy 107 states a strong interest in avoiding matters that could be construed as a conflict of interest: "Every Director and employee of the Cooperative is expected to avoid situations which might be construed as conflicts of interest since it is not feasible in a policy statement such as this to describe all the circumstances and conditions that might be or have the potential of being considered conflict of interest."

The following are examples of potential conflicts of interest:

i. Contracts with CVEA

As provided in Section 4.02 (c) of the Bylaws, no person may serve as a Director if he is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy and electric supplies to CVEA.

Section 4.10 (d) of the CVEA Bylaws states: " No Director shall receive compensation for serving the Cooperative in any other capacity. Nor shall any close relative of a Director receive compensation for serving the Cooperative, unless the payment and amount of compensation shall be specifically authorized by the Board of Directors after determination of the need thereof." This provision means no Director may be paid for serving CVEA in any other capacity, for instance as a consultant or as a supplier.

CVEA Policy 4.07 prohibits any Director or employee "from acquiring or having a financial interest in any property which the Cooperative acquires or a direct or indirect financial interest in a major supplier, contractor, consultant, or other entity with which the Cooperative does business. If members of the immediate family of a Director or employee have a financial interest as specified above, such interest shall be fully disclosed to the Board of Directors which shall decide if such interest should prevent the Cooperative from entering into a particular transaction, purchase, or employment services." This provision means that no Director may sell property to CVEA, nor may a Director have a financial interest in an entity with which CVEA does business.

To the extent consistent with the policies and the Bylaws, a contract in which a Director (or a close relative) has a personal interest or in which there is or might appear to be a conflict by reasons of the Director's role or a Relative's connection as an owner, officer, director or otherwise with a business can be approved by the Board provided 1) that the nature of the relationship is fully and completely disclosed to other members of the Board, 2) that the contract is approved by a majority of the Board without the participation of any director who has such an interest and 3) the contract is just and reasonable for CVEA. If any Director has a personal interest in matters which come before that Board or a subsidiary's Board, he or she should insure that interest is fully disclosed to the Board, that the director does not participate in the decision on the matter and that his or her non-participation is noted in the minutes of the meeting.

ii. Relationship with Competing Enterprise

As set forth above, under Section 4.02 (c) of the Bylaws, no person may serve as a Director if he is in any way employed by or financially interested in a competing enterprise, or a business selling electric energy and electric supplies to CVEA. As expanded by this Code of Director Conduct, Directors or close relatives may not participate as owners, officers or directors of any enterprise that is in competition with CVEA. "In competition" means engaged in an enterprise that performs business activities that CVEA also is engaged in. Directors in violation of this provision should either resign from the competing enterprise or resign as a Director of CVEA.

iii. Gifts

As set forth above, CVEA Policy 107 "Conflict of Interest" prohibits Directors and employees from receiving gifts, fees, loans, or favors from those doing business with CVEA which obligates or induces the Director or employee to compromise their responsibilities to CVEA. (This does not include gifts of a nominal value or casual entertainment.) As expanded by this Code of Director Conduct, no Director or close relative shall solicit or accept gifts, entertainment, services, loans or other things of value ("Gifts") where these would or might appear to improperly influence the Director in the performance of his or her duties on behalf of CVEA. Nor should any Director give "Gifts" to others where these might appear designed to improperly influence others in their relations with CVEA.

Directors and Relatives may accept merchandise or advertising novelty gifts of nominal value, occasional meals and infrequent entertainment or social invitations if they are wholly in keeping with good business ethics and do not suggest an improper relationship. They should not be extravagant or excessive, nor result in any favored treatment for the donor or impose any sense of obligation upon the Director. This section is not intended to prevent Directors or Relatives from accepting appropriate gifts from other Relatives, or arising from friendship. Nor is it intended to prevent reasonable compensation for legitimate services actually provided. Acceptance of any "Gift" with a value of over \$200 from a single source that has or may be seeking business relations with CVEA shall be immediately disclosed to the President. Any "Gift" or "Gifts" from a single source which total over \$500 in value and which have been given to a Director in his or her capacity as a Director may be required by the Board to be remitted to CVEA.

iv. Close Relatives

The term "close relative" means a person who, by blood or in-law, including half, foster, step and adoptive kin, is either a spouse, child, grandchild, parent, grandparent, brother, sister, aunt, uncle, nephew or niece of the Director of CVEA. Any person residing in the Cooperative's Director's or employees' households shall be regarded as "immediate family". "Spouse" includes persons involved in a legal marital relationship or a relationship which, in CVEA's judgment, is characterized by the permanence, stability and duration normally associated with a legal marriage.

C. Role of Directors

1. General

It is important to the growth and success of CVEA that Directors play an active role on the Board. They should be familiar with the business of CVEA, participate fully in Board meetings, and ask questions when appropriate. Subject to the President's ability to appoint members to Committees, Board members should exercise independent judgment in their actions and not hereby act at the direction of others. As set forth in Policies 102 and 104, the Board of Directors' role is to set general policy and guidance to be implemented by the officers and management. Individual Directors do not have direct hiring or disciplinary authority over any employees of CVEA. The Board, as a group, has authority over corporate officers, including hiring authority over Chief Executive Officer. Unless specifically authorized by a vote of the full Board of Directors, no Director shall make commitments on behalf of CVEA. Directors shall avoid making or permitting use

of CVEA's name in ways which could imply endorsement by CVEA or which could embarrass CVEA or its members.

2. **Outside Activities**

The Directors are leaders in the CVEA region and the communities and are encouraged to participate actively in organizations which seek to advance the welfare of members when that involvement does not create a conflict of interest with their duties as a Director.

3. **Personal Behavior**

CVEA is best served by Directors who recognize that their conduct extends beyond the confines of the boardroom and corporate offices. Even after work or while not on CVEA business, customers, members and others see Directors as representatives of CVEA wherever they may be. By following the highest standards of conduct in their business and personal lives, Directors contribute to the integrity and image of CVEA and thus advance the goals and objectives of all members. When dealing with people as a Director or in other capacities, Directors should act in a manner consistent with this Code of Business Conduct and which reflects favorably upon CVEA.

D. **Personal Benefit**

No Director shall use corporate property for personal benefit unless such use has been specifically authorized as a part of a compensation benefit or employment contract. Corporate property shall be used only to benefit CVEA's business interests and to achieve corporate goals and objectives.

Directors will be reimbursed for the travel to attend board and committee meetings and on other corporate business in accordance with policies or procedures adopted from time to time by the Board.

Policy 412 prohibits hiring any close relative of a Director. Section 4.02 of the Bylaws prohibits any person from serving as a Director if a close relative is a Director or employee of CVEA. Policy 107 requires that "If members of the immediate family of a Director or employee have a financial interest as specified above, such interest shall be fully disclosed to the Board of Directors which shall decide if such interest should prevent the Cooperative from entering into a particular transaction, purchase, or employment services."

E. Corporate Information

Policy 107.B. provides as follows:

The complete confidentiality of business information must be respected at all times. Directors and employees are prohibited from knowingly disclosing such information to those who do not have the need to know, or whose interest may be adverse to the Cooperative, both inside or outside the organization; or in any way using such information for personal gain or advancement; or to the detriment of the Cooperative; or to individually conduct negotiations or make contacts or inquiries on behalf of the Cooperative unless officially designated to do so.

Directors have access to private CVEA information obtained or developed in the course of CVEA's business. This may include information concerning employees, customers, competitors, business opportunities, potential future plans, partners, proposed or current investments, proposed or contemplated contracts or acquisitions, strategies concerning litigation, business negotiations, labor negotiations, or other information. All such private corporate information obtained by a Director shall be used only for legitimate CVEA purposes. Such information shall not be used by the Director or Relatives for any personal benefit or gain or to harm CVEA while the Director serves as Director or after he or she leaves office. Such information shall be provided by any Director only to those who have a legitimate need for the information in the normal conduct of the business of CVEA, or as otherwise may be required by law.

The restriction on use of corporate information shall continue after a Director leaves office. No Director or former Director shall make any use of such information in a way that is contrary to this Code.

Directors should refrain from the purchase or sale of securities or other property where such purchase or sale is based on confidential information or special knowledge acquired in connection with the business of CVEA.

F. Political Contributions

No Director shall make, authorize or permit any unlawful contribution, expenditure or use of corporate funds or property for political purposes. Directors shall not be reimbursed by CVEA for political contributions made as an individual.

G. Discrimination/Harassment

CVEA is committed to human dignity, the protection of its employees and to the creation of a positive work environment. No Director shall engage in any illegal discrimination against employees or Directors of CVEA for any reason, including on matters relating to race, color, religion, natural origin, sex, physical or mental disability, marital or family status or otherwise. No Director shall engage in harassment of other Directors or any employee of CVEA. "Harassment" shall include any unreasonable, repeated or

inappropriate verbal or physical conduct, or requests for such conduct, where: 1) such conduct has the purpose or effect of unreasonably interfering with a person's work performance, or creating an intimidating, hostile or offensive working environment; 2) submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; or 3) submission to or rejection of such conduct by an employee is used as a basis for employment decisions affecting such individual.

H. Self Evaluation

To be most effective in providing the corporate leadership required to make CVEA a success, the Board of Directors must engage in a regular process of evaluating how the Board is functioning, how effective it is at setting corporate policies, goals and objectives and how it is working to realize CVEA's strategic plan. At least once a year, the Board shall conduct a self-evaluation to make sure it is being as effective as possible. The purpose of that evaluation is to be certain that the board is fulfilling its function of providing effective leadership, setting policy and monitoring the performance of management.

In conducting this self-evaluation, each board member may be asked to carefully evaluate his or her performance, the performance of other Directors, the performance of the Board as whole, and the performance of Board Committees with an eye towards changes or improvements which could be made to insure that adequate information, in an understandable format, is provided to Board members, that meetings are conducted in a way which promotes open and effective discussion of options among board members leading to appropriate and logical decisions, that Directors are able to reach consensus on general corporate goals and objectives, that decisions of the Board are appropriately communicated to management and members and that management complies with Board direction and that otherwise the Board functions effectively. After the Directors have each engaged in such a self-evaluation, the Board as group should also evaluate changes or improvements that Directors feel need to be made.

The evaluation process should be done in a professional and business like fashion and personal attacks or criticism should be avoided. The purpose of the evaluation is to make certain that the members are being effectively represented by the Board. Some factors that Directors may wish to consider are listed on Attachment C.

I. Litigation

Particular problems arise when a Director, individually or as a Director or officer of another Cooperative or corporation or other entity, participates in litigation against CVEA. While CVEA does not and could not take away the right of a Director to seek a judicial determination of legitimate good faith disputes against CVEA, a director who participates in litigation against CVEA must be very careful to act in a way that is consistent with his or her duty of loyalty. Any such Director shall 1) not be permitted to participate or vote on any matter relating to the litigation, 2) not make any use of private corporate information obtained in his or her capacity as a Director, and 3) not seek to enlarge the litigation beyond

that which is necessary to obtain a determination of the dispute at issue. Where the litigation is likely to be prolonged, involves issues of importance to the Director or to CVEA, the Director, in consultation with the Director's own counsel, should consider whether it has become impossible to fulfill the duties of a Director to CVEA and consider resigning as a Director.

J. Drug, Alcohol and Tobacco Use

CVEA prohibits the use, possession, distribution or being under the influence of alcohol or illegal mind-altering drugs in the work place. Smoking is also prohibited in company buildings. Directors shall abide by these policies.

K. Compliance with Law

It is the policy of CVEA to comply with all laws governing its business operations. All Directors shall act in compliance with all laws and regulations and shall immediately report to the President of the Board (or Vice-President if the allegation involves the President) if they believe CVEA, any director, officer or employee of CVEA is operating in violation of any law or regulation.

L. Director Participation

CVEA is best served by directors who actively participate in CVEA. Regular attendance at board and committee meetings is essential to insure that directors remain informed about the affairs of CVEA. Pursuant to Section 5.05 of the Bylaws, if a Director is absent from 5 regular board meetings in any 12 consecutive months with or without good cause, he shall be deemed to have resigned from the Board of Directors, and the vacancy thereby resulting will be filled as provided in Section 4.09 of the Bylaws.

Responsibility

- A. An allegation that a Director has violated this code shall be brought to the full Board at the next regularly scheduled meeting.
- B. A Director who has been found to have violated this Code of Conduct shall be subject to any or all of the following sanctions as determined by the Board of Directors.
 - 1. Private reprimand by the Board
 - 2. Public censure and disclosure of the violation and sanctions,
 - 3. Request by the Board that the charged Director resign as a Director.
 - 4. To the extent permitted by law or bylaws, loss of indemnification by CVEA.

5. Commencement of lawsuit against the Director or former Director for injunctive relief or for damages caused by breach of this Code.
6. Pursuit by CVEA of the removal of the Director in accordance with applicable law, or as provided in the Bylaws.

The Board shall establish the appropriate sanction and the duration of that sanction. The Board may select any sanction listed above, or others deemed appropriate, without regard to whether other lesser sanctions have been imposed or considered. In determining the sanctions the following factors, as well as others, may be considered: the seriousness of the infraction and the expected harm to the reputation or finances of CVEA that has resulted, its likelihood of repetition, prior violations by the Director or others, whether the director or his close relatives personally profited from the violation, the Director's willingness to disclose the conduct and his or her efforts to mitigate the harm cause by the violation.

ATTACHMENT A

The Duty of Care owed by a CVEA Director to CVEA requires that a Director:

- ◆ Perform his or her duties in good faith, in what the Director believes is in the best interests of CVEA and with the care expected of a prudent person engaged in similar activities.
- ◆ Attend CVEA Board and committee meetings regularly.
- ◆ Comply with all applicable laws and regulations and all corporate policies.
- ◆ Review and, if necessary, ask reasonable questions on important matters requiring Board action.
- ◆ Read all board packet material distributed to the Board in advance of the meeting.
- ◆ Keep informed of work delegated to the committees of the Board and serve usefully when assigned to committees.
- ◆ Question information provided to the Board where the validity of the information is subject to doubt.
- ◆ Participate in Board and committee discussions and contribute usefully to the analysis of proposals that come before the Board or committees.
- ◆ Respect the boundaries between the Board's role in policy development and oversight and Management's role in the implementation of Board policy.
- ◆ Act in good faith in making decisions guided by honest and fair business judgment.

ATTACHMENT B

The Duty of Loyalty to CVEA requires that a CVEA Director:

- ◆ Never use his or her position on the Board or on a committee to make a personal profit.
- ◆ Disclose personal interest before Board or committee action on transactions involving real or apparent conflicts of interest or personal advantage in the transaction.
- ◆ Abstain from voting on actions where personal advantage is involved.
- ◆ Does not serve on the Board of, or act as an employee or officer of a business in competition with CVEA.
- ◆ See that conflicting interests are recognized and treated objectively.
- ◆ Be concerned that all members are dealt with fairly.
- ◆ Inform CVEA of corporate business opportunities appropriate for CVEA before pursuing them personally.
- ◆ Protect the confidentiality of information received.
- ◆ Does not use information gained while serving on the Board to personal advantage after leaving the Board.

ATTACHMENT C

Issues to be Considered During Evaluation of CVEA Directors

Board Meetings

- a. Do directors attend board and committee meetings?
- b. Do directors arrive on time?
- c. Do directors stick to agenda?
- d. Do directors come prepared for the discussion of agenda items?
- e. Do directors help the President of the Board run an effective meeting?
- f. Do directors listen to other directors and build on others' comments?
- d. Do directors view failure as education?

Decision Making

- a. Do directors complement ideas and not change the focus to meet their own needs?
- b. Do directors keep an open mind, ask questions, and learn from prior decisions?
- c. Do directors recognize their personal decision-making bias?
- d. When making a decision affecting others, do directors share the reasoning behind the decision?
- e. Do directors overcome fear of change and never burn bridges?

Management Evaluation

- a. Do directors establish and communicate performance standards for the CEO?
- b. Do directors regularly participate in evaluation of CEO?
- c. Do directors fairly evaluate performance based on those communicated performance standards?
- d. Do director suggest changes/improvements that can improve performance?

Monitoring Financial Performance

- a. Do directors understand the key financial statements?
 - i. Balance Sheet?
 - ii. Income Statement?
 - iii. Cash Flow Statement?
 - iv. Statement of Patronage Capital?
- b. Do directors read the auditor's communications?
- c. Is the audit clean i.e. in conformance to generally accepted accounting principles (GAAP)?
- d. Do directors participate in review of the annual budget?

Legal Obligations

- a. Do directors generally support duty of care, duty of loyalty, follow Articles, Bylaws and Code of Business Conduct?
- b. Do directors make certain CVEA complies with laws and regulations?
- c. Do directors accept and meet the fiduciary responsibility of directorship?
- d. Do Directors recognize and address conflicts of interest and the appearance of conflicts of interest?
- e. Do the Officers and Committee Chairs fulfill their responsibilities as described in their respective position descriptions?

- f. Do the Directors respect the divisions of authority and responsibilities between the Board and CEO as set forth in Policies 103 and 104?

Training/Improvement

- a. Do directors expand knowledge by attending board workshops, retreats, and training sessions?
- b. Do directors request additional information when needed to make a good decision?
- c. Do directors refer, rely upon and follow the strategic plan?
- d. Do directors assess and work on team building?

Community Service

- a. Are directors involved in community service?
 - i. Involved in unpaid public service in their community, i.e. city councils, not for profits, etc.?
 - ii. Involved in other policy organizations-profit and non-profit consistent with duties to CVEA?

Assessment

- a. Do directors, during appraisal of directors' performance maintain credibility, avoid personal attacks and remain professional?
- b. Do directors foster and create teamwork culture and loyalty to company?
- c. Do directors approach self-assessment process as an opportunity to improve performance?
- d. Do directors focus on behaviors, not personalities or inference?
- e. Do directors conclude with a clear understanding of what was discussed and what to change?