

Subject: Kit Carson Electric Cooperative Policy — Board of Trustees Duties, Responsibilities and Professional Development.			Policy No.: 1.1
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**BOARD OF TRUSTEES DUTIES, RESPONSIBILITIES
AND PROFESSIONAL DEVELOPMENT**

I. OBJECTIVE

To describe the duties and responsibilities of the Board of Trustees as well as the professional development expected of individual Board members.

II. POLICY

The Board of Trustees shall direct the affairs of Kit Carson Electric Cooperative, Inc. (“Cooperative”). All of the powers of this Cooperative are held solely by the Board of Trustees, except such powers that have been conferred upon or reserved for the member-owners by statute or by the Cooperative’s Articles of Incorporation or Bylaws. Ultimate responsibility for the Cooperative’s performance resides in the Board. This policy lists these duties and responsibilities and establishes standards whereby these powers may be exercised in the best interests of the Cooperative. Further, it shall be the policy of the Cooperative to expect its directors to gain and maintain the knowledge and skills necessary to function actively and effectively as members of the Board of Trustees.

III. EXPECTATIONS

A. Fiduciary Duty: The Board of Trustees has a fiduciary duty to the Cooperative and its member-owners. This duty is described as follows:

A Trustee of the Cooperative shall discharge his or her official duties as a Trustee, including his or her duties as a member of a committee:

1. in good faith and with concern for the most cost effective expenditure of funds;
2. with the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
3. in a manner that directly benefits the Cooperative and its member owners and which the Trustee reasonably believes to be in the best interests of the Cooperative, to wit, it must have something to do directly with electric,

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internet, propane or telecommunications. Trustees shall not be reimbursed for travel/meetings when such benefit is absent

B. Key Responsibilities and Functions of the Board:

1. Set the Cooperative’s mission, purpose(s) and engage, on a regular basis, in strategic planning;
2. Select, regularly evaluate the performance of, set goals and objectives, and fix the compensation of the Chief Executive Officer (“CEO”).
3. Review, monitor and report to the membership regarding the critical operating and financial performance of the Cooperative;
4. Ensure effective planning and adequacy of resources;
5. Contract for and approve an annual independent financial audit;
6. Attend all regular and special meetings of the Board and meetings of committees to which a Trustee is appointed;
7. Become certified by NRECA as soon as reasonably possible after being elected to the Board;
8. Provide program oversight and support, including the adoption of policies and monitoring for compliance with legal, regulatory requirements as well as the adequacy of internal controls; and
9. Promulgate policies of the Board.

C. Access to Cooperative Management and Information and the Duty to Maintain Confidentiality

Trustees are entitled to reasonable access to the Cooperative’s management, data or other information. A Trustee shall keep confidential all matters involving the Cooperative that have not been disclosed to the general public.

1. Requests for access to information or staff should normally be made to and through the CEO. In some instances, however, it may be appropriate for Trustees to seek information directly from other employees or outside consultants or experts. [For example, members of the Board’s audit

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committee should have a meeting with the auditor without the CEO present, in conformance with current auditing practices. The Board may consider whether to direct board members to consult with the Board President or Cooperative attorney if they are uncertain whether it is appropriate to direct a specific request to someone other than the CEO].

2. When a Trustee has sought access to information not generally available to the public or reported to the Board, the CEO shall report on this at the next meeting of the Board to ensure that all Board members have equal access to the information.
3. Information received by a Trustee shall not be disclosed to any other person(s) unless the Trustee reasonably believes that he or she must do so in order to fulfill his/her fiduciary duty. A Trustee is encouraged to consult with his or her personal attorney in determining whether fiduciary duty obligates the Trustee to make such a disclosure.

IV. LIMITATIONS

A. The Right to Rely on Others

In the discharge of his/her duties, a Trustee is entitled to rely on management and on Board committees of which the Trustee is not a member, to perform their respective responsibilities. A Trustee is entitled to rely upon reports, opinions, information and statements presented by the Cooperative's management, employees and outside advisors whom the Trustee reasonably believes to be competent and reliable in the matters being presented.

B. Board Self-Evaluation

The Board of Trustees shall regularly engage in a self-evaluation of its performance and accomplishments in relation to the goals and mission of the Cooperative.

C. Board Orientation

Upon election to the Board of Trustees, a new Trustee will receive a thorough orientation into the responsibilities of his/her position, conducted by the Board President, the CEO, management staff and the Cooperative attorney.

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D. Board Training and Development

Training and educational programs in the areas of governance responsibilities, utility operations and management oversight are desirable and necessary for a Trustee to function most effectively in his/her responsibilities.

1. Each Trustee is required to become credentialed under the Credentialed Cooperative Director program of the National Rural Electric Cooperative Association pursuant to By—Law Art. III, Section 2 within the first term (four years) after being elected to the Board; provided, however, that if a Trustee is precluded from coming credentialed within the first four years after being elected to the Board by reason of military service or other causes beyond the control of the Trustee, a failure to become credentialed shall not be an impediment to being reelected to the Board. Such Trustee shall make every reasonable effort to become credentialed as soon as reasonably possible. To achieve this goal, each Trustee is encouraged to attend at least one NRECA training seminar each year.
2. In addition to formal board training programs, Trustees are encouraged to attend conferences and other activities designed to improve the skills and knowledge of Board members. The expenses of enrollment and attendance at board training programs are paid by the Cooperative in accordance with Board policy.
3. The board training programs shall be conducted within the confines of an annual budget established by the Board of Trustees for this purpose.

E. Board Policies


All of the policies of the Board shall be promulgated at regular and special meetings of the Board, acting collectively as a board, and such policies shall be given to the CEO by the President. Policies designated “KCEC Policy” shall apply to the management and operation of the Cooperative as a whole.

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V. RESPONSIBILITY

- A. All Trustees serving on and, candidates, nominees or appointees to the Board shall receive a copy of this policy and attest by their signatures to having received the policy.
- B. The Cooperative’s legal counsel shall inform all candidates, nominees or appointees to the Board regarding the terms and conditions of this policy and the personal liability implications resulting from policy violations.
- C. The Cooperative’s legal counsel shall review this policy with the Board on an annual basis and discuss any personal liability implications resulting from violations.
- D. The President of the Board shall ensure that this policy is followed.
- E. Board Commitment
 - 1. The Board further recognizes that should any Trustee undertake, in conversation with others, to make commitments for the Board, the Trustee becomes involved in a serious breach of policy which might disrupt the entire organization. A Board Member may be subject to reprimand from his or her fellow Board Members should he or she attempt to make commitments unofficially for the Board. The Board shall adhere to the policy that its President, or in the absence of the President, the Vice President, or the CEO, when designated by the President, shall be the spokesperson for the Board.
 - 2. The Board shall refrain, as individuals, from discussing management problems with the personnel of the Cooperative’s separate Divisions, except in such cases where the Board may deem it necessary to confer with such personnel at regular or special meetings of the Board, or as a committee. The “flow” of authority for the management of the Cooperative shall pass first through the CEO and then through the Division Managers.
- F. Cooperative Diversification
 - 1. The Board in recognition that the Cooperative has expanded into diversified businesses in addition to its core electric service adopts the

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policy that each Division shall be operated as a separate operating entity. The Board shall establish a separate set of policies for each Division to ensure that the Divisions deal with the Cooperative and with one another at arms-length in all transactions, and that all costs, expenses, revenues or other financial activities of each Division shall be allocated to each Division in a manner that will avoid cross-subsidization.

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Addendum to Policy 1.1

DIRECTOR DUTIES, RESPONSIBILITIES AND PROFESSIONAL DEVELOPMENT

Kit Carson Electric Cooperative

Affirmation of Reception, Understanding of and Support for Board Policy on Director Duties, Responsibilities and Professional Development

I, the undersigned, have received, read, understand and support the Board Policy on Director Duties, Responsibilities and Professional Development.

Signed: _____

Date: _____

 President	Date: <u>August 25, 2015</u>
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