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SUBJECT: Duties and Responsibilities of Directors

OBJECTIVE

To describe the duties and responsibilities of the Board of Directors; and to explain the fiduciary duties of directors; and in Addendum C to clarify the standards of conduct for which they will be held accountable while serving on the board; and in Addendum D, to define the disciplinary procedures and consequences for a failure to adhere to duties and responsibilities as defined in this policy and addendums, the Cooperative's bylaws, and/or state and federal law.

POLICY

The Board of Directors exists to direct the affairs of Jo-Carroll Energy. All of the powers of this corporation are held solely by the Board of Directors, except such powers that have been conferred upon the member-owners by statute or by the corporation's charter or bylaws. Ordinarily the board may exercise its powers only by acting in a duly convened meeting. The board may delegate certain, but not all, of its powers to the Chief Executive Officer. Ultimate responsibility for the cooperative resides in the board, and certain decisions and actions cannot be delegated. In fulfillment of these duties and responsibilities, the Board of Directors shall:

A. Establish and maintain a legal entity by:

1. Ensuring that all legal requirements, as set forth in the law, the articles of incorporation, the bylaws, or other regulations or contracts applying to Jo-Carroll Energy are complied with.
2. Selecting and appointing the Board Attorney.
3. Studying and approving (or recommending) revision and other changes in the bylaws.
4. Reviewing and approving major contracts such as loan agreements, wholesale power contracts, and construction contracts.
5. Ensuring that accurate minutes of board, committee, and membership meetings are prepared, maintained, and approved.
6. Authorizing eminent domain proceedings as required.

B. Act as trustees of membership interests by:

1. Holding board meetings monthly, except that the board meetings for November and December may be combined into one board meeting, or more often if required. The preliminary agenda for such meetings shall be developed by the Chief Executive Officer in consultation with the Board Chairman, and the agenda will be mailed in advance of the meeting with appropriate supporting information.
2. Ensuring that members of the cooperative are informed by conducting membership meetings to hear their views, and to promote understanding of the cooperative's objectives, policies, and programs, and through periodic newsletters and other publications, annual reports, and meetings.
3. Keeping informed about changing member needs.

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4. Assisting new board members to understand their responsibilities and duties. An orientation will be arranged for new board members.
5. Selecting an independent financial auditor.
6. Establishing investment policies and approving depositories for funds of the cooperative and designating those authorized to sign checks, drafts, notes, contracts, deeds, mortgages, and other instruments on behalf of the cooperative.
7. Establishing policies governing the payment of travel, out-of-pocket, and other expenses of directors.
8. Approving the appointment of the cooperative's principal consultants and contracts and agreements for their services.
9. Approving purchase, transfer, lease and/or sales of real estate.
10. Filling vacancies on the board for any unexpired term of office in accordance with Article 4, Section 6 of the bylaws.

C. Plan for the long-term health and survival of the cooperative by:

1. Working with the CEO to develop the mission and plans of Jo-Carroll Energy.
2. Working with the CEO, ensure an adequate, reliable, competitively priced supply of electric energy.
3. Reviewing and adopting proposed policies or policy revisions.

D. Provide operating requirements by:

1. Interviewing candidates (with the advice and assistance of the Board Attorney) and selecting and employing a competent Chief Executive Officer. The Chief Executive Officer is delegated responsibility and authority to select personnel and terminate their employment, if such action becomes necessary, within the limitations of board policy. The Chief Executive Officer is also delegated complete responsibility to direct such employees.
2. Adopting financial plans and policies essential to maintaining a sound financial structure for the cooperative.
3. Authorizing the monies and expenditures of such monies through their adoption of budgets necessary to carry out the objectives of the cooperative.
4. 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 should be in writing and reviewed annually by the Policy Committee to determine if any revision should be made.
5. Determining major state, regional, or national organizations in which the cooperative shall become a member.
6. Authorizing the construction of major facilities necessary for the efficient operation of the cooperative.

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E. Establish controls to appraise the effectiveness of operations by:

1. Reviewing periodic reports from the Chief Executive Officer to either ensure conformity to approve plans and programs or to enable the board to have sufficient knowledge and understanding to make prudent decision regarding future plans and programs.
2. Reviewing the annual financial audit and the management letter, with the auditor present, and ensuring that any necessary action is taken.
3. Conducting an annual performance appraisal of the Chief Executive Officer and determining his or her compensation.
4. Conducting periodically, a self-appraisal of the Board of Directors, with or without consulting assistance, to review and improve its effectiveness in fulfilling its duties.

Addendum "C" – Policy 102
INDIVIDUAL DIRECTOR
STANDARDS OF CONDUCT

PREAMBLE

All of the powers of the corporation are conferred upon and may be exercised by the Board of Directors, except as reserved to or conferred upon the members by law, the articles of incorporation, or the bylaws. It is the purpose of this policy to identify or establish standards whereby such power may be exercised in the best interests of the system.

POLICY

A. Legal Duties

Directors are subject to legal standards of fiduciary responsibility. These include the duties of care and loyalty.

Under the duty of care, directors are required to:

1. Exercise that degree of care that an ordinarily prudent person would exercise under similar circumstances.
2. Have or acquire the minimum knowledge and skills necessary to direct the affairs of the cooperative.
3. Make every effort to attend all meetings of the board and to study materials sent prior to each board meeting.
4. Study and adhere to all obligations imposed by the Articles of Incorporation, the bylaws, contractual agreements and board policies.

Under the duty of loyalty, directors are required to:

1. Act only in the best long-term interest of the cooperative and its members.
2. Place the interests of the cooperative over any personal interests.

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3. Not have any financial interest in a directly competing business.
4. Avoid the appearance of any conflict of interest.
5. Avoid any future conflict of interest by refusing to receive any remuneration from any entity proposing to purchase all or substantially all of the assets of the cooperative.
6. Represent and support the interests of the cooperative to elected and public officials.
7. Publicly support decisions of the board except in extraordinary circumstances where the director believes that there is a clear and present threat to the survival of the cooperative.

B. Conduct with Respect to Fellow Directors

Regardless of any personal differences directors should:

1. Demonstrate mutual respect.
2. Allow opportunity for every director to be heard on any matter being considered by the board.
3. Abstain from revealing to persons other than directors, the Chief Executive Officer or the Board Attorney any differences of positions among directors on matters considered and acted upon by the board. (This standard does not preclude fair and accurate publication of such differences to the system's members in relation to contests for director elections or other matters to be voted upon by the members.)

Director Access to Cooperative Information

Any director is entitled to have access to cooperative data or information, at reasonable times during the business hours for a proper purpose that is germane to his or her standing as a member or director. This principle is subject to the following:

1. All requests for information shall be made to and through the Chief Executive Officer. In no case shall such information be sought through other employees, agents or independent contractors (unless after consultation with and being advised by the board attorney because an actual or potential criminal activity of the Chief Executive Officer is involved).
2. In any instance in which a director has sought access to information not generally made available or reported to the board, the chief Executive Officer shall report on this at the next meeting of the board.
3. In no case should a director reveal to others information and data he or she receives if the actual or potential effect of such revelation is to damage the system, including its image, or to enable himself or herself and/or others to personally profit there from.

Information received by a director pursuant to this policy shall not be revealed by him or her to any other persons (the remaining directors, Chief Executive Officer and board attorney excepted) unless he or she is reasonably convinced that he or she is compelled to so by legal considerations.

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Good Faith and Fair Play

Every director shall deal in good faith and fair play with every other director and the Chief Executive Officer in expressing his/her views, questions and concerns relating to cooperative policies, rates and programs. Good faith and fair play require:

1. All directors should reveal all information or interests which they may have and that they may bear upon action being considered by the cooperative.
2. That directors will not so pursue a position, inquiry or motion as to unduly harass or annoy other directors, the Chief Executive Officer, employees or independent contractors.
3. That director communications with employees other than the Chief Executive Officer shall be casual and conducted on a courteous basis, but not for the purpose of influencing an employee's position or attitude concerning his cooperative-related activities.

Policy Implementation And Responsibility

1. All candidates, nominees or appointees to the board shall receive a copy of this policy and attest by their signatures to having received the policy.
2. Board attorney 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.
3. Board attorney shall review this policy with the board on an annual basis and discuss any personal liability implications resulting from violations.
4. The Chairman of the Board shall ensure that this policy is followed consistent with Disciplinary Policy contained herein as Addendum D.

JO-CARROLL ENERGY

**Affirmation of Reception, Understanding of and Support for Board
Policy Director Duties and Standards of Conduct and Performances**

I, the undersigned, have received, read, understand and support the Board Policy on Standards of Conduct and Performance for Directors.

Signed: _____

Date: _____

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**Addendum "D" – Policy 102
DISCIPLINARY PROCESS FOR DIRECTOR
VIOLATION OF BOARD POLICY**

- A. Typical communication of alleged violations should be from the CEO to the Board Chairman or from a Director to the Board Chairman. If the Board Chairman is the subject, then communication should be from the CEO to the Board Attorney or from a Director to the Board Attorney.
- B. All communication of alleged violations should occur promptly, and should include sufficient evidentiary detail to justify the concern.
- C. It will be the responsibility of the Board Chairman, in consultation with the Board Attorney, the alleged violator, and others as necessary, to determine the seriousness of the infraction and any action to be taken. If the Board Chairman is the subject, the Board Attorney will investigate the allegation and decide the appropriate course of action. The entire Board must immediately be made aware of any circumstance that could litigiously involve the Board.
- D. Expedient resolution should be the norm, and follow-up communication with the involved parties should occur promptly. If Board Policy has been violated, the offender should immediately be given written notification.
- E. Unless circumstances dictate differently, all communication will be private and secured among parties specific to the allegation (per "C." above).
- F. If Board Policy is violated twice by a Director, appropriate and sufficient details should be presented to the full Board, and an admonishment vote may be taken. If admonishment is confirmed by at least a 2/3 vote of the Board, the accused Director's credibility shall be called into question during all future Board business related to the violated Board Policy.
- G. If Board Policy is violated three times by a Director, arrangements shall be made to immediately notify the members of that Director's District of the violations, and of the Board's recommendation for the members to remove or not re-elect their Director.

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Addendum "E" – Policy 102
DIRECTOR DRESS CODE

- A. Attendance at regular and special Board meetings, and Board committee meetings, and all member meetings.

While attending the above mentioned meetings, Directors are expected to wear at least business casual attire, the rule being to present a neat and professional appearance. From time to time, for example in preparation for Annual Meetings, it is strongly recommended that a consensus be reached with regard to a "standardized" uniform of the day.

- B. Exceptions to "A" above.

While attending other functions such as training sessions and State and National meetings, the attire should be at least business casual, as in "A" above, but Directors should judge the situation to best represent JCE and meet the professional expectations of the environment. Where appropriate, for example in advance of training sessions, consensus regarding a "standardize" uniform of the day is strongly recommended.

RESPONSIBILITY

It shall be the responsibility of the Chairman of the Board of Directors to see that these duties are carried out.

| Version History | | | |
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| Version | Date | Revised By | Change Description |
| 1 | 08-25-04 | | |
| 2 | 10-26-11 | | |
| 3 | 02-21-18 | Board | Moved language from Policy 102 to 102B |
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