

KOOTENAI ELECTRIC COOPERATIVE, INC.

Policy No. 2-25

I. SUBJECT: Qualification for Eligibility for Service on the Cooperative's Board of Directors

II. OBJECTIVE:

The objective of this policy is to publish the qualifications for election or appointment to, and service on, the Cooperative's Board of Directors and to establish necessary procedures, including an affirmation form.

III. POLICY:

Certain qualifications are required by law and the Cooperative's Bylaws to become and remain a Director of the Cooperative. If the Board should determine that a nominee or potential appointee to the Board lacks any of the necessary qualifications, it is the duty of the Board to declare such nominee or potential appointee ineligible for election or appointment. In addition, if the Board determines that an incumbent Director lacks or has lost any of the necessary qualifications, the Board should take the appropriate steps as outlined in Article III, Section 5, of the Bylaws to remove such Director and to declare a vacancy pursuant to Article III, Section 2, of the Bylaws. The qualifications required of a Director are as follows:

A. General Legal Requirements

General law provides that a person, to become and remain a Director of the Cooperative, shall among other requirements:

1. Adhere to all applicable requirements of law, the Cooperative's Articles of Incorporation and Bylaws, the Cooperative's duly adopted policies and the Cooperative's duly made decisions;
2. Assume a fiduciary duty to the Cooperative and its members and to act in good faith in its best interest as the Director reasonably believes to be the case under the circumstances;
3. Be loyal to the Cooperative and not to a conflicting commercial interest, and act at all times in good faith for the Cooperative's interests and not for those of some other commercial interest (for

example, a person who wanted to be a Director in order to assist an investor owned utility (IOU) in purchasing the Cooperative's assets would be serving the IOU's interest and would be in violation of this loyalty requirement);

4. Not be affected by any continuing and substantial personal interest that is in conflict with the best interests of the Cooperative;
5. Have at least the minimum knowledge and skills necessary to manage the affairs of the Cooperative; and
6. Be willing to devote such time and effort to the duties of a Director as may be necessary to manage the Cooperative's affairs.

B. Bylaw Requirements

The Cooperative's Bylaws provide that to become and remain a Director of the Cooperative, a person shall among other requirements:

1. Be an active member of the Cooperative (an active member is a member who is currently purchasing electric service from the Cooperative);
2. Receive electric service from the Cooperative at his or her primary residence within the district the person is to represent, except that the Director for the district-at-large need not be a resident of and domiciled in the Cooperative's service territory;
3. Not be employed by or financially interested in an enterprise competing with the Cooperative or a business selling electrical energy or supplies to the Cooperative, or in a business primarily engaged in supplying electrical or plumbing appliances, fixtures or supplies to members of the Cooperative (employment by or ownership of stock in Avista Utilities is an example of what would constitute a disqualification under this requirement).

C. Philosophical Considerations

A Director should be aware of and supportive of the following principles and duties:

1. Basic cooperative principles and way of doing business including the following:

- a. The right of people to provide an essential service for themselves.
 - b. Member ownership and control.
 - c. One member -- one vote.
 - d. Nonprofit operation.
2. The Cooperative should continually strive to make power available at a reasonable cost to its members and that to achieve this has the right to join with other cooperatives as a member in a generation and transmission cooperative.
 3. Study data and other information presented to the Board to keep fully informed.
 4. Support the decisions and actions of the Board made by Board majority and to maintain board room confidentiality.
 5. Actively participate in the management of the business and affairs of the Cooperative. On an annual basis, Directors spend about forty (40) days on Cooperative-related activities.
 6. Attain NRECA Board credential certification within the first three years of service and obtain their certification and ongoing training with the cost to the Cooperative in mind.
 7. Attend two classes or seminars each year on recommended Board member advanced classes, as offered by appropriate industry organizations.
 8. Attend informational meetings on current and future issues relating to the operation of the Cooperative.
 9. Represent the total membership on an impartial basis, as well as the Director's designated district.
 10. Disqualify himself/herself in consideration of issues where personal or business relationships could be viewed as a potential conflict of interest.
 11. In addition to considering qualifications described above, prior to recommendation or nomination, the Nominating Committee should consider the following about potential candidates:

- a. Does the candidate's past experiences, character and performance justify consideration for nomination as a Director of Kootenai Electric Cooperative?
- b. Does the candidate have the ability and the commitment to further the interests of Kootenai Electric Cooperative?
- c. Has the candidate served in any positions of leadership which specifically qualify him/her to be nominated as a Director of Kootenai Electric Cooperative?
- d. Does the candidate have basic knowledge of Kootenai Electric Cooperative's objectives, goals and services?
- e. Does the candidate have the ability to understand and use the Cooperative's financial statements and records to make decisions affecting the financial health of the Cooperative?
- f. Does the candidate have the personal qualities and command the respect which will enable the candidate to represent the Cooperative's district well?
- g. Does the candidate have any special talents or skills which would especially qualify him/her for nomination to the Board?
- h. The Cooperative will incur significant investment to train and educate the candidate. Recognizing it will take the first term to become a fully contributing Director, is the candidate willing to serve multiple terms?

D. Procedure for Policy Implementation:

1. This policy, along with the Cooperative's current Bylaws, shall be disseminated and explained to the Cooperative's Nominating Committee each year, prior to considering nominations. The Committee will interview all persons considered for nomination as Directors to ensure they are qualified in accordance with this policy.
2. Prior to nomination by the Nominating Committee, the Cooperative shall furnish the nominee with a copy of the Cooperative's Bylaws, this policy and the Affirmation Form and Questionnaire to ensure

that the nominee is qualified. Those nominated by petition will also be provided with the same information and complete it as is required of other nominees.

3. The Board, in filling any vacancies occurring on the Board, shall ensure that an appointed Director is first fully apprised of this policy and is qualified in accordance with it.
4. All persons being considered for or actually nominated for Director shall, prior to election or appointment, read the Cooperative's Bylaws and this policy and complete the Affirmation Form and Questionnaire which are attached hereto and made a part hereof.
5. If the Cooperative or the Nominating Committee become aware of a candidate nominated by petition, all reasonable attempts will be made to have the candidate complete the *Affirmation of Director Qualification* and the *Questions Concerning Qualifications for Director* found in this policy to ensure the nominee is qualified.

IV. RESPONSIBILITY:

The Board of Directors shall be responsible for the administration of this policy.

Adopted: 05/18/89
Effective: 05/18/89
Amended: 09/21/94
11/19/98
05/31/01
02/28/06
12/16/10

Attested: _____
Secretary

KOOTENAI ELECTRIC COOPERATIVE, INC.
Hayden, Idaho

QUESTIONS CONCERNING QUALIFICATIONS FOR DIRECTOR

Introduction:

Being a Director of Kootenai Electric Cooperative, Inc. is an important and challenging responsibility. Certain specific qualifications to be eligible to become and remain a Director are set forth in the Cooperative Bylaws (Article III). In addition, general law imposes certain duties upon Directors. The following questions are designed to assure that you are eligible to be a candidate for Director and to remain as Director if elected.

1. Full Name: _____
2. Address of Primary Residence: _____

3. Are you a member of the Cooperative? Yes _____ No _____
4. Do you currently receive electric service from the Cooperative at the above residence? Yes _____ No _____

If no, please give address where you receive electric service from the Cooperative.

5. A Director is responsible for, and must actively participate in, the management of the business and affairs of the Cooperative. The Board of Directors of the Cooperative is quite active. It is anticipated that you will spend about forty (40) days, on an annual basis, at meetings of the Board, general membership, committees and seminars. (Most of the meetings are during the week when many people must be at work). Are you able to commit that amount of time to be actively involved in the affairs of the Cooperative? Yes _____ No _____

6. Are you employed by or financially interested (e.g., stock ownership) in a company which competes with the Cooperative (e.g., Avista Utilities), or sells energy or supplies to the Cooperative (e.g., The Bonneville Power Administration) or in a business primarily engaged in supplying electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative?

Yes _____ No _____

If yes, please explain. _____

7. A Director has a duty of loyalty to the Cooperative and a fiduciary duty to act in the best interests of the Cooperative and its members as the Director reasonably believes to be the case under the circumstances. In connection with those duties, please answer the following questions:

Will you be able to act in the best interests of the Cooperative even though the act of the Cooperative may conflict with your personal interests?

Yes _____ No _____

Comments: _____

8. Do you have a commitment of loyalty to another commercial enterprise that may conflict with the best interests of the Cooperative?

Yes _____ No _____

Comments: _____

9. As a current example of the previous question, are you already committed to disposing of the assets of the Cooperative or is it your present intention, if elected, to promote the disposing of the assets of the Cooperative?

Yes _____ No _____

Comments: _____

KOOTENAI ELECTRIC COOPERATIVE, INC.

Hayden, Idaho

Affirmation of Director Qualification

I, the undersigned, hereby state and affirm as follows:

1. I have read the Cooperative's attached Bylaws and Corporate Policy Statement No. 2-25, entitled Qualification for Eligibility for Service on the Cooperative's Board of Directors, and all attachments thereto.
2. I am qualified in accordance with the Policy to be nominated and elected or appointed as a Cooperative Director.
3. I am qualified to serve as such Director.

I have signed my name hereto and had the same witnessed this _____ day of _____, 20 _____.

Signature

WITNESS

Signature: _____

Printed Name: _____

Address: _____

Telephone: _____

WITNESS

Signature: _____

Printed Name: _____

Address: _____

Telephone: _____