

Board of Directors Policy

Subject: Offer to Acquire All or Substantially All of La Plata Electric Association, Inc. Assets			Policy No: 105
Original Issue: 10/16/96	Last Revised: 2/21/18	Last Reviewed: 2/21/18	Page 1 of 8

I. OBJECTIVE

To ensure that any and all offers to acquire all of substantially all of the assets of La Plata Electric Association, Inc. (Cooperative) are handled appropriately and consistently.

II. POLICY

- A. The Board of Directors shall consider only offers which meet all of the criteria listed in this paragraph, in which case it shall be considered a Qualifying Offer. If at any time it is determined that an offer does not meet all of the criteria in this paragraph, it shall be rejected by the Board, and the person, corporation, or other entity submitting the offer (Interested Party), shall be notified of the rejection. The Interested Party, however, shall be given an opportunity to submit additional information to meet these criteria within a reasonable period of time, not to exceed three (3) months.
1. A Qualifying Offer must be a written offer, presented in person to the Chief Executive Officer (CEO), containing the acquisition price and all other material terms, which is binding upon the Interested Party until a specified date or until rejected;
 2. A Qualifying Offer must specify the date on which it will expire if not accepted by the Cooperative, and such date must provide the Cooperative a reasonable amount of time to evaluate the Qualifying Offer;
 3. A Qualifying Offer must disclose the identity of the Interested Party and be executed by authorized representatives of the Interested Party;
 4. A Qualifying Offer must contain the names, addresses, and telephone numbers of persons representing the Interested Party with whom the Board may communicate and from whom it may secure authoritative answers regarding the Qualifying Offer;
 5. In light of the expense in responding to a Qualifying Offer, a Qualifying Offer must be accompanied with an Escrow Agreement acceptable to the Cooperative, which Agreement shall require the Interested Party to deposit an amount equal to at least 10% of total utility plant in an escrow account. The terms of the Escrow Agreement shall provide that the principal amount of the deposit may be drawn on by the Cooperative to:

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- a. Pay for all costs (including accounting, engineering and legal) of studies, reviews, analyses, and appraisals by and for the Cooperative in its evaluation of the Qualifying Offer; and
- b. Pay for all costs incurred by the Cooperative seeking regulatory approvals.

If the offer is withdrawn or rejected, any remaining balance in the escrow account shall be paid to the Interested Party when the Board certifies that all costs set forth in (a) and (b) of this paragraph have been paid in full;

6. A Qualifying Offer must contain an agreement by the Interested Party not to issue press releases or discuss the Qualifying Offer with the media without prior written consent of the Cooperative, and to refrain from issuing misleading statements or advertising; and
 7. A Qualifying Offer must not be in direct conflict with the terms of the Cooperative's Articles of Incorporation, Bylaws, this or any other policy, or any applicable laws or regulations.
- B. All offers shall be forwarded to the CEO, who shall be responsible for reviewing the offer to determine whether, on its face, the offer meets the requirements to be a Qualifying offer. Any offer that does not meet the requirements to be a Qualifying Offer shall be considered an "Inquiry." The CEO shall notify the Interested Party submitting the Inquiry, that, under the terms of this policy, the Board shall not consider an offer unless it meets all of the requirements of Paragraph II(A), above.
- C. The CEO shall notify the Board of any substantially complying Inquiry or Qualifying Offer.
- D. Upon a determination by the Board that it has received a Qualifying Offer, the Board shall:
1. Designate an individual from the Cooperative to receive all communications, including telephone calls and written communications, from the Interested Party, the members, and the media. This individual shall understand and follow this policy but not have authority to bind the Board or the Cooperative on any matter regarding the Qualifying Offer.

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2. Notify the Cooperative's members of the receipt of the Qualifying Offer. The notice should include the following:
 - a. A summary of the Qualifying Offer;
 - b. A statement that the Board of Directors has taken the Qualifying Offer under advisement, as is required by the terms of this policy;
 - c. A brief description of the procedures the Board shall follow in evaluating the Qualifying Offer;
 - d. A statement that the members may review a copy of the Qualifying Offer at the Cooperative's office during its regular business hours; and
 - e. The name of the person whom the members may contact with questions regarding the Qualifying Offer.
3. Send a copy of the Qualifying Offer to the Cooperative Attorney.
4. Send a copy of the Qualifying Offer to Tri-State Generation & Transmission (Tri-State) of which the Cooperative is a member and request a statement as to the effects of the Qualifying Offer upon the Cooperative's Wholesale Power Contract.
5. Send a copy of the Qualifying Offer to such other persons or entity, if any, required by any applicable right of first refusal agreement or by applicable law or regulation.
6. Send a copy of the Qualifying Offer to all applicable lending institutions and request a statement as to the effects of the Qualifying Offer upon the Cooperative's Mortgage and Loan Agreement or other instruments relating to the Cooperative's outstanding debt.
7. Obtain at least two (2) independent appraisals concerning the value of the Cooperative and its assets. The appraisal should use commonly accepted valuation methods.

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8. Obtain a comparison of the Cooperative's and the Interested Party's present and reasonably foreseeable future rates; fees and charges, including service extension requirements, other service rules and regulations, adequacy and reliability of service, and any other considerations relevant to the provision of electric service.
 9. Request detailed information from the Interested Party, such as annual reports, tax returns, and form 10-K filings dating back at least five (5) years; full copies of all relevant audits, internal planning documents, employee policy manuals and union contracts, a current stockholder list, a list of all pending court and administrative proceedings, and any relevant operations manuals, engineering studies, construction plans, and environmental impact statements.
 10. Request the Interested Party to submit an expert opinion on the potential tax liabilities of the transaction to the Cooperative and the members.
 11. Undertake any other investigations, studies, or comparisons which the Board considers relevant to its evaluation of the Qualifying Offer.
 12. Evaluate the Qualifying Offer in accordance with the terms of this policy, considering the evaluation criteria set forth in Paragraph III, below, and any other criteria which the Board deems relevant.
- E. After evaluation, if the Board determines that the Qualifying Offer should be rejected, it shall notify the Interested Party and the Cooperative's members of the reasons for the rejection. The Board shall also notify the Cooperative's Attorney, Tri-State, applicable lending institutions, and any other interested parties of the Board's decision.
- F. If, after evaluation, a two-thirds (2/3) majority of the Board determines that the sale, lease, merger, or other acquisition proposed by the Qualifying Offer is in the best interest of the Cooperative and its members, the Board shall notify the Interested Party of its intent to further pursue the transaction, subject to written agreement by the Interested Party to the following terms and conditions:
1. That final approval of the Qualifying Offer is contingent upon approval by the Cooperative's members in accordance with the Cooperative's Articles of Incorporation, Bylaws, policy, and applicable state and federal law and regulations.

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2. That the Cooperative is released from or otherwise satisfies its Wholesale Power Contract, and that the Interested Party agrees that it will indemnify the Cooperative for any loss associated with the termination, modification, or satisfaction of the Wholesale Power Contract.
3. That any adverse tax impacts upon the Cooperative as an entity and its present and former members will be minimized to the extent practicable.
4. That all existing employees of the Cooperative are offered continued employment for at least three (3) years upon terms at least equal to those enjoyed by the Cooperative's employees at the time the Qualifying Offer was submitted to the Board. The terms to be considered shall include wages, salaries, severance benefits, insurance and pension benefits, fringe benefits, rank and job title, union membership, place of employment, and residence.
5. That the Interested Party will indemnify and hold harmless any employees, directors, officers, agents, servants, attorneys, accountants, consultants, representatives, affiliates, subsidiaries, and insurers of and all others acting in privity with the Cooperative for any actions taken in connection with the Qualifying Offer.
6. That, if the Cooperative is required to comply with the terms of any right of first refusal agreement, that the Interested Party will not change any material terms in its Qualifying Offer during the pendency of the right of first refusal process.
7. That the total consideration for the acquisition will be paid directly to the Cooperative or its account; provided however, that a Qualifying Offer of merger may provide for acquisition of stock by the Cooperative's members in exchange for their capital credits and membership.
8. That the transaction will become void if all regulatory and contractual approvals are not obtained within a reasonable time after member approval.
9. That the Interested Party agrees to pay for the cost of obtaining all regulatory and contractual approvals that may be necessary to effectuate the terms of the Qualifying Offer.

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- G. After the Board of Directors has received the Interested Party's written agreement to the terms and conditions in Paragraph II(F), the Board shall comply with all requirements under a right of first refusal agreement, if any agreement is then existing.
- H. The Board shall then submit the Qualifying Offer to the members in accordance with Paragraphs II(I)-(K), below.
- I. Before submitting the Qualifying Offer to a vote of the members, the Board shall notify the Cooperative Attorney, Tri-State, applicable lending institutions, and any other interested parties of the Board's intention to submit it to a vote of the members.
- J. Once the above procedures have been followed, the Board shall notify the members in writing of its intent to submit the Qualifying Offer to the membership for a vote. The notice shall include a summary of the final terms and conditions of the Qualifying Offer. A membership meeting shall be called for the purpose of voting on the Qualifying Offer. The meeting shall be called pursuant to the Cooperative's Articles of Incorporation, Bylaws, and applicable laws and regulations.
- K. Any meeting of the members to vote on the Qualifying Offer shall be conducted according to Robert's Rules of Parliamentary Procedure, or any other generally accepted rules of parliamentary procedure, and the Board shall designate a person with expertise to advise the Board and the membership of such rules during the meeting.
- L. If the members vote to accept the Qualifying Offer, the Board shall take all actions necessary to finalize the transaction and, if necessary, dissolve and wind up the business of the Cooperative, including obtaining all necessary regulatory and contractual approvals. Unless such approvals are obtained within a reasonable time, the transaction shall be deemed to be null and void.
- M. If at any time a Qualifying Offer is rejected, whether by the Board or by the members, or if a Qualifying Offer is withdrawn by the Interested Party, any further such Qualifying Offer by the Interested Party or any of its affiliates or subsidiaries within two (2) years after the date of rejection shall be rejected by the Board unless it materially differs from the withdrawn or rejected Qualifying Offer.

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III. EVALUATION CRITERIA

As provided in Paragraph II(D)(12), above, the Board may consider any criteria which the Board deems relevant in its evaluation of a Qualifying Offer. To the extent practicable, and so long as not inconsistent with the best interests of the members, the Board shall consider each of the following criteria:

- A. Whether the Qualifying Offer is in the best interest of the Cooperative's present and future members. In determining whether the offer is in the members' best interest, the Board should consider both economic and non-economic matters, both at the present time and for the reasonably foreseeable future.
- B. The results of the independent appraisals concerning the fair value of the Cooperative. Although the Board shall consider all such information and opinions, it shall have the final responsibility to make the Cooperative's official determination of value and whether acceptance of the Qualifying Offer is in the best interests of the Cooperative and its members.
- C. Whether the Qualifying Offer is in compliance with all applicable laws, regulations, and requirements of the Cooperative's Articles of Incorporation, Bylaws, and Policies.
- D. Whether the Qualifying Offer complies with all requirements of the Cooperative's mortgage and loan documents.
- E. Whether the Qualifying Offer is in compliance, or would allow the Cooperative to comply, with all contractual obligations with other parties.
- F. Whether rates, fees, and other charges, and service rules and regulations of the Interested Party will be at least equivalent to, or better than, those of the Cooperative, both at the time of the Qualifying Offer and for the reasonably foreseeable future, but for a minimum of five (5) years. In evaluating rates, the Cooperative capital credit system shall be taken into account. In addition, the Board should consider how the members' rates may be impacted in the future by the cost of the acquisition.
- G. Whether the Interested Party's electric service would be at least as reliable as that provided by the Cooperative at the time of the Qualifying Offer and as projected into the reasonably foreseeable future.

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- H. Whether other service functions affecting the members would be at least as good as those afforded by the Cooperative.
- I. Whether the Interested Party is financially able to consummate the Qualifying Offer. The Board should also consider the source and feasibility of the proposed financing.
- J. Whether the Interested Party would continue or enhance the Cooperative's community involvement.

IV. RESPONSIBILITY

The President of the Board of Directors is responsible for the administration of this policy.

2/21/2018

Date



Secretary