



Director Requirements, Expectations & Compensation

Purpose:

- The purpose of this document is to outline the requirements and expectations of serving on the Board of Directors (collectively “Board”; individually “Directors”) of Choptank Electric Cooperative, Inc. (“Choptank” or “the Cooperative”).
- The Board establishes policy, and provides guidance and oversight to the President and CEO. Directors do not individually or collectively participate in the day to day management of the Cooperative. A background in basic business principles and knowledge of finance and the electric utility industry is extremely helpful.
- Choptank Directors represent the member/owners in providing input and advice to management. Directors need to be prepared to speak directly with members regarding their electric service and to carry their concerns back to the President and CEO and the Board. A Director does not just represent the district in which he/she resides, but is elected by and represents the entire Cooperative membership. So any member may approach any Director about an issue of concern.

Director Education:

- Basic director certification known as the Credentialed Cooperative Director (CCD) is required within the first 3 years of becoming a member of the Board. Most Directors complete this requirement in a fraction of the time allowed. The Credentialed Cooperative Director curriculum consists of five courses designed to provide basic knowledge and skills required of cooperative directors. There are two additional levels of director certifications above the CCD designation, each of which requires completion of additional courses.

Directors have several opportunities to attend courses, including the National Rural Electric Cooperative Association's (NRECA's) Pre-Annual Meeting, Pre-Annual Directors' Conference, Summer Schools, Pre-Regional Meeting, statewide association sponsored programs, and on-site training.

- Course work and travel expenses required for the certifications are reimbursed by the Cooperative; hence the Cooperative invests a significant amount of money into this and other Director training. The time commitment from the Director and the training expense incurred by the Cooperative should be taken into account by prospective Directors.

Meetings/Attendance:

- There are 12 monthly Board meetings per year, usually on the 4th Tuesday of the month, starting at 9:30 a.m. and ending between noon and 1 p.m. Absence from three Board meetings in a year could result in removal from the Board. Attendance of monthly Board meetings by telephone is permitted on a limited basis and paid at a lower per diem. Additionally there is an annual member meeting and an annual Board organizational meeting in April, and usually a day and a half long strategic planning and informational session in January, at which attendance is required. Special Board meetings are rare but sometimes necessary.
- There are approximately 12 to 24 additional days a year that involve non-monthly Choptank Electric related meetings. Much of the Board's work is done by Board committees, which examine issues within their designated areas of responsibility and make recommendations to the Board. The Board receives information from the committees and votes on the committee recommendations. Board committees are composed of three to five Directors. The major standing Board committees are the Executive Committee, the Finance, Budget and Audit Committee, the Governance Committee and the Strategic Issues and Risk Committee. Attendance at these meetings is necessary in order for a Director to perform his or her share of the Board's work, to be prepared for the monthly Board meetings, and to

have an understanding of the cooperative system and the electric utility business.

- The amount of time devoted to preparation for and participation in Board, committee, and other meeting and Director duties will depend on many factors, including offices held, the committee assignments and educational activities of a specific Director.
- Choptank is a member of the Virginia, Maryland, and Delaware Association of Electric Cooperatives (VMD Association) and a member-owner of the Old Dominion Electric Cooperative (ODEC), which holds a joint 3 day annual business and informational meeting in July, usually in Virginia. Membership and participation in the VMD Association is important to Choptank and its members because Choptank shares common interests with the other member electric distribution cooperatives located within relatively close proximity to each other, including sharing educational and training and providing mutual aid assistance in large storms. As an owner of ODEC, Choptank's participation is vitally important to Choptank and its members because ODEC provides a single source of reliable and economical electric power supply through a diversified power portfolio.
- One member of the Board is selected to represent Choptank on the VMD Association board and one member is selected to represent Choptank on the ODEC board.
- Choptank is a member of the National Rural Electric Cooperative Association (NRECA). NRECA holds an annual national convention at locations across the country, held from a Sunday through Wednesday in February or March. Membership and participation in the NRECA is important to Choptank and its members because NRECA is an association of over 800 electric distribution and electric generation cooperatives that serves as the common source for its member cooperatives for education, cooperative employee benefits, provides opportunities for formal and informal sharing ideas and information regarding new equipment, applications and technologies in the electric utility industry, and much more.

These services would be much more expensive or cost prohibitive to Choptank if they had to be purchased on the open market.

- NRECA offers a two day directors educational conference annually usually in late March.
- New Directors are required to attend a half-day orientation at the Cooperative's Headquarters office.
- Dress code for Board meetings is business casual throughout the year unless more formal attire is needed. Notification of formal attire will be provided prior to the Board meeting. Formal attire for men includes suits, or sports jackets with ties that are typical of business formal attire at work. For women, business attire includes pant and skirt suits and sports jackets appropriate to formal business attire.
- Meetings follow Robert's Rules of Order.

Compensation:

- Director duties extend beyond the Board room. Directors are representatives of the Cooperative throughout the month and wherever they go. The average Director logs approximately 30 days per year on Cooperative business. Directors have discussions with members during the month, participate in various committees, and serve on other Boards related to Choptank Electric. Director committee assignments can be found on the Cooperative's website under the heading "About us" and the sub-heading "Board of Directors".
- The Board policy is to periodically review the status of Director compensation in relation to available information regarding such compensation paid by other comparable electric cooperatives. Other factors and sources of relevant information may also be considered. There is no monthly retainer paid and no fringe benefits provided to Directors.

- Under Maryland law the only way in which electric cooperative directors are allowed to be paid is on a per diem basis for meetings attended, regardless of the amount of time expended by the directors outside of meetings. The members of the Board of Directors are ultimately responsible for the entire operation of Choptank, as the president and CEO of Choptank is appointed by, reports to and is guided by policies and a budget that is approved by the Board. Directors have the fiduciary responsibility of a cooperative with \$400 million in assets and with a mission of providing reliable electric service 24 hours a day, 365 days per year to approximately 53,000 members located in the more sparsely populated areas of all nine counties of Maryland's Eastern Shore.
- Per Diems: Compensation is paid by the Cooperative to its Directors on a per diem basis for meetings attended. The per diem compensation for regular monthly Board meetings is intended to cover time spent in preparing for, traveling to, and attending that meeting, and in addition, time spent discussing issues with members and other Directors throughout the month outside of any meeting or organized class otherwise compensated by a per diem. The per diem compensation for other types of approved meetings, such as special Board meetings, committee meetings, approved classes and electric cooperative association meetings, is substantially less than for the regular monthly Board meetings, and is intended to cover only the time spent in preparing for, traveling to, and attending those other types of meetings. Reasonable travel expenses of the Directors are reimbursed. Mileage is reimbursed at the IRS stipulated rate. Choptank Directors' average (mean) compensation per Director for 2016 was \$25,755 as compared to a national average of \$24,538 for electric cooperatives serving over 40,000 members. At this time 2016 is the most recent year for which this national statistic for electric cooperatives is available. Choptank Directors averaged 31 days of activities spent on Cooperative business in 2016. The number of days devoted and total compensation of a Director in a year may vary depending on such factors as his/her committee assignments, the number and complexity issues addressed by the committees on which he/she sits, and number of educational

courses taken by him/her. Total number of days devoted and total annual compensation of the Board in a year may vary depending on unusual time-consuming issues addressed by the Board, such as a comprehensive bylaws revision or a President and CEO retirement, search and replacement.

Other:

- The Bylaws include requirements with regard to prospective Board member candidates and Directors while they are serving. Applicable Bylaw sections should be reviewed by prospective Board candidates. The Cooperative bylaws are posted on the Cooperative's website. See especially bylaws 4.03, 4.04 and 4.07.
- The Board has adopted a set of policies which include certain expectations of Directors. Elected Board members must adhere to these policies.
- Each Director is provided with an iPad and secure internet account for Cooperative business only. Communications between the CEO and the Board, and distribution of all information and materials necessary for Director preparation for upcoming board or committee meetings, is via the internet to the Director's iPads. Internet reception at his/her home, via a nearby cell tower or internet service to his/her home, and the ability of a Director to operate the iPad and to communicate by email is required. Smart phone proficiency for cooperative business communications is beneficial.
- Many matters considered by the Board are confidential. Examples of this are personnel matters, and contemplated land acquisitions that would result in increased acquisition costs if divulged to the public. It is the duty of each Director to maintain confidentiality until such time they are no longer considered confidential.
- It is the duty of each Director to be loyal to the Cooperative. This includes the duty of a Director to immediately disclose all

matters involving the Cooperative in which that Director has the appearance of a conflict of interest or an actual conflict of interest with the Cooperative. Each year each Director is required to sign and file with the Cooperative a form disclosing the circumstances of actual and appearances of conflicts of interest in which he/she is involved.

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