

MOUNTAIN PARKS ELECTRIC, INC.

ADMINISTRATIVE POLICIES AND PROCEDURES

SUBJECT: TREATMENT OF INQUIRY/OFFER TO ACQUIRE ALL OR SUBSTANTIALLY ALL OF THE COOPERATIVE'S ASSETS	POLICY NO. A-5
EFFECTIVE DATE: OCTOBER 22, 2003	PAGE 1 OF 9
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I. OBJECTIVE

To establish an outline of procedures and due diligence determinations that must be followed in the event of receipt of an inquiry or offer to acquire all or substantially all of the Cooperative's assets by purchase, merger or consolidation; to minimize the costs and disruption to the Cooperative involved in undertaking repeated due diligence reviews, and to assist the Board of Directors to carry out their duties to the Cooperative, in the best interests of the Cooperative and its members.

II. POLICY

A. Communication With The Board

If any inquiry or offer is received by the Cooperative, or any representative of the Cooperative, the representative receiving the inquiry or offer, the President and the General Manager will confer immediately; and the President and General Manager will inform the Board of Directors of the inquiry or offer as soon as practical to do so.

B. Determination Of A Valid Inquiry Or Offer

The Board of Directors will consider any inquiries or offers which meet the criteria in paragraph one below.

1. The inquiry or offer must disclose the identity of the person, corporation or other entity submitting the inquiry or offer (the "Interested Party") and be executed by an authorized representative of the Interested Party.
 - a. The inquiry or offer must contain the names, addresses and telephone numbers of persons representing the Interested Party with whom the Board may communicate, and from whom the Board may secure authoritative answers regarding the inquiry or offer.
 - b. The inquiry or offer must provide that the Interested Party will not issue any press releases or discuss the inquiry or offer with the

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media without prior written consent of the Cooperative. The inquiry or offer must contain a provision that the Interested Party will refrain from issuing statements or advertising regarding the offer.

- c. The inquiry or offer must not be in direct conflict with the terms of the Cooperative's Articles of Incorporation, Bylaws, mortgage or loan agreements, the Cooperative's wholesale power supply contract with Tri-State Generation and Transmission Association, Inc., other contracts to which the Cooperative is a party, this Policy, or any applicable law or policy.
 - d. In light of the expense involved in evaluating and responding to an inquiry or offer, the Board may require an amount to be paid into escrow before considering the inquiry or offer to be valid. The amount will be acceptable to the Cooperative and will be no greater than 10% of the amount of the inquiry or offer. The terms of the escrow agreement will be negotiated between the Interested Party and the Cooperative prior to evaluation of the inquiry or offer by the Cooperative. The escrow account may be used to pay for all costs (including managerial, accounting, engineering and legal) of studies, reviews, analyses and appraisals by and for the Cooperative in its evaluation of the inquiry or offer.
2. If an inquiry or offer is received by the Cooperative, or any representative of the Cooperative, which does not meet the above criteria for a valid inquiry or offer, it will be rejected without consideration. The recipient of such inquiry or offer will notify the person, corporation or entity submitting the inquiry or offer that pursuant to the terms of this policy, the Board of Directors, on behalf of the Cooperative, will respond only to inquiries or offers that comply with the terms of this policy.
 3. If at any time it is determined that a valid inquiry or offer is not in the best interests of the Cooperative or its members, it will be rejected by the Board and the Interested Party will be notified of the rejection and the reasons for the rejection. The Interested Party may submit additional information in support of the inquiry or offer, for consideration by the Board, within a reasonable period of time following its rejection.

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C. Procedure For Consideration Of A Valid Inquiry Or Offer

Upon determination that an Inquiry or Offer is valid, the Board will:

1. Designate an individual or individuals from the Cooperative to receive all communications, including telephone calls and written communications from the Interested Party and the media. This individual or individuals will understand and follow this Policy, but not have authority to bind the Board or the Cooperative on any matter regarding the Inquiry or Offer.
2. Enter into a confidentiality agreement with the Interested Party providing that all information provided by the Cooperative and all information received from the Interested Party will remain confidential and not subject to any media, member or public disclosure without prior written mutual agreement.
3. Obtain such independent appraisals as may be appropriate concerning the value of the Cooperative and/or its assets. The appraisal should use commonly accepted evaluation methods. In the event of a merger or consolidation, an appraisal of values will be obtained of the Interested Party.
4. Request detailed information from the Interested Party, such as annual reports, tax returns and Form 10k filings dating back at least five (5) years, full copies of all relevant audits, internal planning documents, tariffs, rules and regulations, administrative, management and Employee policies, internal planning documents, union contracts; a current stockholder or member list, a list of all pending court and administrative proceedings, a list of any claims which the Interested Party could reasonably foresee could result in a court or administrative proceeding, and any relevant operations manuals, engineering studies, environmental studies, construction plans and environmental impact statements or Borrower's Environmental Reports.
5. 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 and other service rules and regulations, adequacy and reliability of service, and any other considerations relevant to the provision of electric service; a 10 year Financial Forecast will be made by qualified independent auditor.

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6. Obtain a comparison of the Cooperative's and the Interested Party's historic, present and reasonably foreseeable future support of and participation in the improvement of the communities that they serve.
7. Request the Interested Party to submit a written opinion prepared by a qualified Tax Attorney or Accountant on the potential tax liabilities of the transaction to the Cooperative and its members.
8. Undertake any other investigations, studies or comparisons which the Board considers relevant to its evaluation of the Inquiry or Offer.
9. Notify the other parties to any "First Right of Refusal Agreement" such as the Tri-State System Compact, that the Board is in the process of evaluating a valid Inquiry or Offer.
10. Evaluate the Inquiry or Offer in accordance with the terms of this Policy, considering the evaluation criteria set forth in this Policy and any other criteria, which the Board deems relevant.

D. Evaluation Criteria

As provided in this Policy, the Board may consider any criteria, which the Board deems relevant in its evaluation of an Inquiry or Offer. To the extent practicable, and so long as not inconsistent with the best interests of the members, the Board will consider each of the following criteria:

1. Whether the Inquiry or Offer is in the best interest of the Cooperative's present and future members. In determining whether the Inquiry or Offer is in the members' best interests, the Board should consider both economic and non-economic matters, both at the present time and for the reasonably foreseeable future. In considering an Inquiry or Offer to consolidate or merge with another electric cooperative, the consideration will include but not be limited to whether the Inquiry or Offer is likely to:
 - a. Contribute to greater operating efficiency and financial soundness;
 - b. Mitigate high electric rates and or rate disparity;
 - c. Help the Cooperative to diversify its loads or otherwise hedge risks;

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- d. Have beneficial effects on rural economic development in the service territory, such as diversifying the economic base or alleviating unemployment; and
 - e. Provide other benefits consistent with the purpose of the Rural Electrification Act.
2. The results of the independent appraisals concerning the fair value of the Cooperative and/or the Interested Party. Although the Board will consider all such information and opinions, it will have the final responsibility to make the Cooperative's official determination of value and of whether acceptance of the Inquiry or Offer is in the best interests of the Cooperative and its members.
 3. Whether the Inquiry or Offer is in compliance with all applicable laws, regulations and requirements of the Cooperative's Articles of Incorporation, Bylaws and Policies.
 4. Whether the Inquiry or Offer complies with all the requirements of the Cooperative's mortgage and loan documents.
 5. Whether the Inquiry or Offer is in compliance or would allow the Cooperative to comply with all contractual obligations with other parties, including Tri-State Generation and Transmission Association, Inc.
 6. 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 Inquiry or Offer and for the reasonably foreseeable future, but for a minimum of five (5) years. In evaluating rates, the Cooperative's deferred patronage dividends will 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.
 7. Whether the Interested Party's electric service would be at least as reliable as that provided by the Cooperative at the time of the Inquiry or Offer and as projected into the reasonably foreseeable future.
 8. Whether other service functions affecting the members would be at least as good as those afforded by the Cooperative.

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9. Whether the Interested Party is financially able to consummate the Inquiry or Offer. The Board should also consider the source and feasibility of the proposed financing.
10. Whether the Interested Party would continue or enhance the Cooperative's community involvements.
11. Such other criteria as the Board may deem appropriate for consideration as part of its due diligence.

E. Procedure Following Evaluation

If, after evaluation, a two-thirds (2/3) majority of the full Board as defined in the Bylaws, determines that the sale, lease, merger or other acquisition proposed by the Inquiry or Offer may be in the best interests of the Cooperative and its members, the Board will:

1. Notify the interested Party of the Board's intent to further pursue the transaction or amended transaction as countered by the Cooperative, subject to written agreement by the Interested Party to the following minimum terms and conditions:
 - a. That the Cooperative is released from or otherwise satisfies its Wholesale Power Contract; with Tri-State Generation & Transmission Association.
 - b. That the transaction is contingent upon the Cooperative's compliance with any "First Right of Refusal Agreement".
 - c. That any adverse tax impacts upon the Cooperative as an entity and its present and former members will be minimized to the extent practicable.
 - d. That all existing full time Employees of the Cooperative are offered continued employment under terms to be established by the Board of Directors.
 - e. 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 Inquiry or Offer.

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- f. That the total consideration for the transaction will be paid directly to the Cooperative or its account; provided, that an Inquiry or Offer of merger or consolidation may provide for acquisition of stock, or other capital investment in the surviving or new entity, by the Cooperative's members in exchange for their deferred patronage dividends and membership.
 - g. That the transaction will become void if all regulatory and contractual approvals are not obtained within a reasonable time after member approval.
2. After the Board has received the Interested Party's written agreement to the terms and conditions described above, submit a "Notice of Opportunity to Exercise Refusal" (or "Final Notice of Proposal to Sell"), as that term is defined in any First Right of Refusal Agreement, to those parties having such rights thereunder. Once this notice has been submitted, the Board will not permit the Interested Party to change any material terms in either its Inquiry or Offer or its written agreement to the terms and conditions as provided in this policy. No further action will be taken with respect to the Inquiry or Offer until the terms of the First Right of Refusal Agreement have been complied with.
3. If a party to any First Right of Refusal Agreement exercises its rights thereunder (the "First Refusal Offer"), proceed with a vote of the members on the First Refusal Offer pursuant to this Policy. The Board will only proceed with a vote on the Inquiry or Offer if no party to a First Right of Refusal Agreement has exercised its rights thereunder, or if the Cooperative's members have rejected the First Refusal Offer.
4. Before submitting the Inquiry or Offer or the First Refusal Offer to a vote of the members, notify the Interested Party, and if applicable, the party making the First Refusal Offer, of the Board's intention to submit it to a vote of the members.
5. Once the above procedures have been followed, notify the members in writing of its intent to submit the Inquiry or Offer or the First Refusal Offer to the membership for a vote. The notice will include:
 - a. A summary of the final terms and conditions of the Inquiry or Offer and, if applicable, the First Refusal Offer;

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- b. A statement of the Board's position with respect to the transaction;
 - c. A brief description of the procedures that will be followed to obtain membership and other approvals of the transaction;
 - d. A statement that the members may review a copy of the Inquiry or Offer and, if applicable, the First Refusal Offer at the Cooperative's offices during regular business hours; and
 - e. The name of the person or persons whom members may contact with questions regarding the Inquiry or Offer and, if applicable, the First Refusal Offer.
6. Call a membership meeting for the purpose of voting on the matter. The meeting will be called pursuant to the Cooperative's Articles of Incorporation, Bylaws and Policies and pursuant to state statutes.
 7. Conduct any meeting of the members to vote on the Inquiry or Offer or the First Refusal Offer according to Colorado statutes, the Cooperatives Articles of Incorporation and Bylaws.
 8. If the members vote to approve the Inquiry or Offer or the First Refusal Offer, take all actions necessary to finalize the transaction and, if necessary, dissolve and wind up the business of the Cooperative; provided, that it will be the responsibility of the Interested Party to obtain all necessary regulatory and contractual approvals. Unless such approvals are obtained within a reasonable period of time, the transaction will be deemed to be null and void.

F. Follow-Up On Inquiries Or Offers

If at any time an Inquiry or Offer is rejected, whether by the Board or by the members, or if an Inquiry or Offer is withdrawn by the Interested Party, or if any

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regulatory or contractual approvals are denied, any further such inquiry or offer by the Interested Party or any of its affiliates or subsidiaries within two (2) years after the date of the rejection or withdrawal will be rejected by the Board as non-valid unless it materially differs from the rejected or withdrawn Inquiry or Offer.

G. Mergers or Consolidations

This Policy will apply equally to mergers and consolidations as well as to offers to acquire the Cooperative's assets by purchase. The Board will make a determination following advice of management and legal counsel, by Board resolution, concerning the degree of applicability of each of the provisions of this Policy and concerning any additional criteria or procedures to be followed.

III. RESPONSIBILITY

The General Manager will be responsible for the administration and compliance of this policy.

	, PRESIDENT	DATE: 12/9/2021
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