

POLICY NO. 10-060

REVISION DATE: August 24, 2004

SUBJECT: INDEMNIFICATION OF DIRECTORS

I. PURPOSE

This policy summarizes how directors are indemnified while acting within the scope of their authority.

II. POLICY CONTENT

Each person who was or is made a party or is threatened to be made a party to or is involved in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she was or is serving in their official capacity as director, shall be indemnified and held harmless by the Cooperative unless the Cooperative is prohibited from doing so by the Washington Cooperative Association Act or any other applicable law.

Such indemnification will include defense costs, settlements, judgments, fines, and other costs reasonably incurred by the director in connection with the proceeding. Upon board approval in advance, expenses may be paid in advance of a final disposition of the proceeding. However, such advances must be repaid if the final disposition of the proceeding indicates the Cooperative was not responsible for indemnifying the director.

The Cooperative, at its expense, may maintain insurance to protect itself and the directors. In such cases, the insurance company may be involved in, or direct, the defense of a director. However, the decision by the Cooperative to maintain insurance will not affect a director's right to indemnification.

III. RESPONSIBILITY

Following these rules is the responsibility of the Board of Directors. The Board Attorney is responsible for advising the Board on appropriate courses of actions to limit exposure to liability and/or provide the necessary legal defense. The General Manager is responsible for maintaining insurance policies as directed by the Board of Directors.

ATTESTING:

President

Secretary

Date