Farmers Rural Electric Cooperative Corporation
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FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

POLICY NO. 105

LEGAL REPRESENTATION AND USE OF ATTORNEY

I. OBJECTIVE

The Board of Directors ("Board") of Farmers Rural Electric Cooperative Corporation ("Cooperative") recognizes that competent legal representation and effective use of attorneys are critical to the successful operation of Cooperative. Although a Cooperative attorney ("Attorney") or law firm retained or employed by Cooperative, and the Attorney's representation of Cooperative, are governed by rules of professional conduct and other local, state, and federal law, the objective of this policy is to provide additional guidance for, and emphasize important aspects of, the Attorney's representation of Cooperative and Cooperative's use of the Attorney. To the extent this policy is inconsistent with rules of professional conduct or similar requirements governing attorneys, the rules or requirements govern.

II. POLICY

A. **General Counsel**. Cooperative shall retain or employ an Attorney to continually provide general legal services to ("General Counsel"). General legal services include, but are not limited to: (1) attending, and reviewing minutes of, all meetings of the Board and all annual and special meetings of Cooperative members; (2) negotiating, drafting, and reviewing contracts; (3) providing legal services for the disposition or acquisition of real property and interests in real property; (4) providing legal services for the borrowing or lending of money; and (5) providing legal services regarding general business, cooperative, tax, and electric utility law.

B. **Special Counsel**. As reasonably necessary, and following consultation with the General Counsel, Cooperative may retain or employ an attorney to provide special legal services to Cooperative ("Special Counsel"). Special legal services require competence in a particular field of law and include but are not limited to: (1) representing Cooperative in state or federal court, or before a local, state, or federal agency; and (2) providing legal services regarding labor, employment, tax, antitrust, environmental, or intellectual property law. In providing special legal services to Cooperative, a Special Counsel shall provide the General Counsel copies of all communications, memoranda, briefs, notices, motions, and other documents prepared, filed, received, or sent by the Special Counsel. As determined by the Board, the General Counsel may provide special legal services to Cooperative.

C. **Board Counsel**. As determined by the Board, it may retain, employ, direct, and discharge an attorney or law firm to continually or periodically provide legal services to the Board ("Board Counsel"), with the Board Counsel representing the Board as client. Cooperative shall pay a Board Counsel a reasonable fee and reasonable expenses. To a practical extent, the Board Counsel's representation of the Board must be governed in a manner similar to the way an Attorney's representation of Cooperative is governed under this policy.

D. **Competent Legal Representation and Conflicts of Interest.** An Attorney shall provide competent legal representation to Cooperative, and shall have or acquire the appropriate knowledge, skills, time, and qualifications necessary to provide competent legal representation. No Attorney, however, guarantees, promises, or warrants a successful or favorable outcome regarding legal services provided to Cooperative. An Attorney shall comply with conflict-of-interest requirements prescribed in applicable local, state, and federal law and rules of professional conduct. An Attorney may provide legal services to an entity in which Cooperative owns an interest ("Affiliated Entity") only if the Attorney complies with these conflict-of-interest requirements. An Attorney shall inform Cooperative's, President/CEO ("CEO"), or person authorized by the CEO in writing of any other entity engaged in generating, transmitting, distributing, marketing, or selling electric energy to which the Attorney provides legal services.

E. **Retaining, Employing, and Discharging Attorney.** The Board shall make decisions regarding retaining, employing, and discharging the General Counsel and shall annually evaluate the performance of the General Counsel. Following consultation with the CEO, the CEO shall make decisions regarding retaining, employing, and discharging any other Attorney. By providing written notice to an Attorney, Cooperative may discharge the Attorney, and terminate any attorney's engagement agreement, at any time for any reason. By providing written notice to Cooperative, and as required or allowed by applicable law and rules of professional conduct, an Attorney shall or may withdraw from representing the Cooperative and terminate any attorney engagement agreement.

F. **Third Party**. As part of providing legal services to Cooperative, and with the CEO's prior consent, an Attorney may retain another attorney or may use an attorney or paraprofessional associated with the Attorney in a law firm. As reasonably necessary or helpful in providing legal services to Cooperative and subject to any limitations stated in an attorney engagement agreement, an Attorney may contract for a non-attorney and non-paraprofessional third party to provide goods or services.

G. **Directing Attorney**. Only the Board or the CEO of Cooperative may request that an Attorney provide legal services to Cooperative. As requested by an Attorney, and as reasonably necessary or helpful in providing legal services to Cooperative, Cooperative shall provide the Attorney with reasonable access to its directors, officers, employees, consultants, agents, representatives, records, and documents. The CEO and an Attorney shall keep the Board reasonably informed regarding any matter for which the Attorney is providing legal services to Cooperative. In consultation with the Board or as directed by the Board, the CEO shall direct an Attorney. In providing legal services to Cooperative, and subject to the Board or CEO's direction, an Attorney may act on Cooperative's behalf in any manner reasonably believed to be in Cooperative's best interest. Unless the CEO gives his or her prior consent, an Attorney may not make a statement outside of a tribunal regarding the Attorney's provision of legal services to Cooperative, which statement the Attorney knows or reasonably should know will be disseminated by means of public communication. No Cooperative director, officer, employee, consultant, agent, or representative may interfere with the Attorney's ability to exercise independent professional judgment and render candid advice.

H. **Attorney Fees and Expenses**. Cooperative shall pay an Attorney a reasonable fee and reasonable expenses. An Attorney shall provide legal services to Cooperative in a cost-effective and efficient manner. The fees and expenses for an Attorney retained by Cooperative must be specified in an **Attorney Engagement Agreement**. Cooperative shall indemnify an Attorney for liability and expenses, including reasonable attorney fees, to which Cooperative has exposed the Attorney without the Attorney's fault.

I. **Unauthorized Practice of Law**. No Cooperative director, officer, employee, consultant, agent, or representative may provide legal services to Cooperative unless the individual is an attorney admitted to practice law in an appropriate jurisdiction.

J. **Farmers Rural Electric Cooperative Corporation as Client**. In providing legal services to Cooperative, an Attorney represents Cooperative as client, acting through its authorized directors, officers, employees, and members. In representing Cooperative on, an Attorney does not represent Cooperative's directors, officers, employees, or members. If the Board gives its informed, written, and prior consent, and if an Attorney complies with applicable conflict of interest requirements, then the Attorney may represent an Affiliated Entity and the Attorney may represent individual Cooperative directors, officers, employees, and members in matters related to the Attorney's representation of Cooperative.

K. **Attorney-Client Privilege**. Confidential communication between Cooperative, or its agent or representative, and the Attorney, or the Attorney's agent or

representative, made to facilitate the Attorney's provision of legal services to Cooperative are protected by the attorney-client privilege. Cooperative directors, officers, employees, consultants, agents, and representatives shall not disclose these communications to third parties, other than those to whom disclosure is made in furtherance of this provision of legal services, or those necessary for transmitting the communications. To the extent these communications are disclosed to Cooperative employees, consultants, agents, or representatives, they must only be disclosed to individuals who reasonably need to know about the communications.

L. **Attorney's Duty to Inform and Consult**. An Attorney shall keep the Board and the CEO reasonably informed regarding a matter for which the Attorney is providing legal services to Cooperative. For decisions regarding the matter to be made by Cooperative, the Attorney shall explain the matter to the Board and the CEO to the extent that it is reasonably necessary to permit Cooperative to make an informed decision. An Attorney shall promptly comply with Cooperative's reasonable request for information.

M. **Reliance**. In providing legal services to Cooperative, an Attorney may rely upon information provided by Cooperative unless the Attorney knows that reliance is unwarranted. In performing his or her duties, Cooperative director, officer, or employee may rely upon information, opinions, reports, and statements prepared or presented by an Attorney. A director, officer, or employee's reliance, however, is only permitted regarding matters involving skills or expertise that he or she reasonably believes are within the Attorney's professional or expert competence. Further, this reliance is only permitted if the director, officer, or employee acts in good faith and reasonably believes that the reliance is warranted and that the Attorney merits confidence.

N. **Evidence of Violation of Law or Breach of Duty**. If an Attorney, other than the General Counsel, knows or reasonably should know of any evidence of an actual or intended material violation of law or material breach of duty, or evidence of an actual or intended violation of law or breach of duty likely to result in substantial injury to Cooperative by Cooperative or by any Cooperative director, officer, employee, consultant, agent, or representative ("Evidence"), then the Attorney shall report the Evidence to the General Counsel. If the General Counsel knows or reasonably should know of any Evidence, then the General Counsel shall report the Evidence to the CEO.

Within thirty (30) days of Evidence being first reported, the General Counsel or the CEO, as determined by the CEO, shall investigate the Evidence, respond appropriately to the Evidence, and inform the reporting Attorney regarding the investigation and the response. If an Attorney, other than the General Counsel, reasonably believes that neither the General Counsel nor the CEO has investigated

or responded appropriately to the Evidence, or if the Attorney believes it is reasonably necessary in the best interest of Cooperative, then the Attorney shall report the Evidence to the Board or the audit committee of the Board ("Audit Committee") in person and without the presence of any other person, except a person invited by the Attorney. If the General Counsel reasonably believes that the CEO has not investigated or responded appropriately to the Evidence, or if the General Counsel believes it is reasonably necessary in the best interest of Cooperative then the General Counsel shall report the Evidence to the Board or the Audit Committee in person and without the presence of any other person, except a person invited by the General Counsel.

If a reporting Attorney reasonably believes that the Attorney has been discharged because the Attorney reported Evidence, then the Attorney shall inform the Board or the Audit Committee of this belief. To encourage and facilitate the reporting and investigating of Evidence, and responding appropriately to Evidence, the Board or the Audit Committee shall meet at least quarterly with the General Counsel and without the presence of any other person, except a person invited by the General Counsel.

O. **Legal Programs, Publications, and Memberships**. Cooperative shall encourage the General Counsel to: (1) attend legal programs sponsored by, and to subscribe to legal publications published by, the National Rural Cooperative Association and any association of rural Cooperative's located within the state; and (2) be a member of, and attend programs sponsored by, Cooperative and any association of attorneys representing Cooperative's located within the state. The payment of any fees and expenses related to a General Counsel retained by Cooperative attending these legal programs, subscribing to these legal publications, or being a member of these associations must be specified in an attorney engagement agreement.

II. RESPONSIBILITY

The Board is responsible for compliance with this policy. The CEO is responsible for communicating with an Attorney regarding the Attorney's provision of legal services to Cooperative.