

POLICY NO. 10-130

REVISION DATE: October 26, 2004

SUBJECT: CONFLICT OF INTEREST FOR DIRECTORS

I. PURPOSE

No member shall be eligible to become or remain a director who is employed by or who, directly or indirectly, holds a material financial interest in a competing enterprise or a business selling electric energy, propane, supplies or services to the cooperative.

II. POLICY CONTENT

A Director must base his or her decisions upon the best interest of the Cooperative and its members. If a director has a material financial interest in a competing organization or a company with which the Cooperative does business, such director's loyalty, objectivity and ability to act solely in the interest of the Cooperative might be, or might be perceived to be, compromised. Accordingly, the By-Laws prohibit those financial interests.

For purposes of this policy, a material financial interest is defined to be the director or any member of their immediate family:

- 1) Holding any stock or other direct financial interest in any power company competing directly with the Cooperative for retail electric Loads.
- 2) Holding any stock or other direct financial interest in a company selling, or potentially selling in the near future, wholesale power, transmission or related ancillary services to the Cooperative.
- 3) Any other situation which may be considered a conflict of interest or result in a perception of a conflict of interest to be determined on a case-by-case basis by the board.

In addition, if there is a perception that a conflict or potential for a conflict exists, negative impacts on Cooperative and its operations may occur. Therefore, even perception of conflict of interest should be avoided.

If a director is aware, or becomes aware, that he or she has a financial interest in a competing enterprise or a company doing business with the Cooperative, such director should bring the potential conflict to the attention of the board. If the director discloses the potential conflict to the board or if the board becomes aware, through another source, of potential conflicts or that the potential for perceptions of conflicts exist, they will then decide on whether there is no conflict, a minor conflict dealing with only limited aspects of Okanogan County Electric Cooperative's operations or if there is a major conflict potential.

If the board decision is that there is neither conflict nor the potential for the perception of conflict, no action will be taken. If the board decides that a minor conflict exists, or that there is some potential for the perception of conflict on limited issues, the director with the conflict will be excluded from all discussions and voting on those issues where the conflict or potential for a perception of conflict exists. If the board decides that there is a major conflict that director will be asked eliminate the conflict, or resign from the board. If the director refuses to eliminate the conflict or resign, a vote will be held at either the annual meeting of the membership or a special meeting of the membership to consider the removal of the director as provided for in Article III – Section 6 of the By-Laws.

III. RESPONSIBILITY

The Board of Directors is responsible for implementation and compliance with this policy and related By-Law provisions.

ATTESTING:

President

Secretary

Date: