

DUCK RIVER ELECTRIC MEMBERSHIP CORPORATION

BOARD POLICY BULLETIN NO. I.C.3.

SUBJECT: CONFLICTS OF INTEREST

I. POLICY

Board members must avoid activities that create a conflict of interest or the appearance of a conflict of interest. This policy will provide general guidance to Board members in the performance of their duties and responsibilities as Directors of the Cooperative. It will assist Board members in developing the highest standards of integrity, impartiality, and conduct that will, and is, necessary for maintaining public confidence in the operations of the Cooperative.

II. PROVISIONS

A "conflict of interest" exists when a Board member has a personal interest in a matter of such a nature and magnitude that a conflict exists between the personal interest and the Cooperative's interest that could potentially cause an inability to exercise independent and objective judgment on the matter. "Personal interests" may not technically involve the Board member but may involve relatives, business associates, or other individuals or organizations with which he/she is closely associated.

According to Board resolution, the following statements will guide the members of the Board of Directors in the management of the affairs of the Cooperative.

A. Use of Office

They shall not use their respective offices for private gain for themselves or for other individuals or organizations with which they are associated.

B. Use of Information

They shall not use inside information for private gain, either by direct action or by counsel, by recommendations, or suggestions to other individuals or organizations with which they are associated.

C. Gain from Beneficiary Organizations (Including Contractors)

They shall not solicit from beneficiary organizations, related organizations, or other individuals having business with the Cooperative, anything of value as a gift, loan, favor, or gratuity for themselves or any other individuals or organizations with which they are associated.

D. Decisions Which Pose a Conflict of Interest

They shall make full disclosure to the Board of Directors of any facts indicating a conflict of interest. They shall disqualify themselves from participating in decisions posing a conflict of interest or the appearance of a conflict of interest. They may request an opinion of the Cooperative's General Counsel before taking such action.

E. Business Ethics

The General Manager shall develop a series of policies on business ethics which will set forth the intent of the Board of Directors with regard to conduct of employees in maintaining high standards of integrity, impartiality, and conduct necessary to maintain member and public confidence in the Cooperative.

III. RESPONSIBILITY

A. General Manager

The General Manager shall provide assistance to the Board of Directors to assure compliance with this policy. The General Manager shall also develop and enforce an appropriate management policy relating to conflicts of interest of employees.

B. General Counsel

The General Counsel shall advise individual Board members and/or the Board of Directors regarding compliance with this policy.

C. Board of Directors

The Board of Directors shall review compliance with this policy and counsel with any Board member as the situation may require. The Board of Directors shall assure, to the extent possible, that the Cooperative is not damaged or compromised because of the existence of a conflict of interest on the part of Board members or the General Counsel.

APPROVED BY THE BOARD OF DIRECTORS

Burt Willis  
PRESIDENT

10/24/01  
DATE

# DUCK RIVER ELECTRIC MEMBERSHIP CORPORATION

## BOARD POLICY BULLETIN NO. III.A.11.

SUBJECT: ETHICS AND CONFLICT OF INTEREST IN OUTSIDE BUSINESS AND RELATED ACTIVITIES

### I. OBJECTIVE

To provide Cooperative employees with guidelines for their participation in non-Cooperative business activities.

### II. POLICY CONTENT

The Cooperative recognizes that situations may arise when employees, including management and executive employees, wish to be involved in non-Cooperative business activities. Examples of such activities may include, but are not limited to: membership on boards of other companies or organizations; an active interest in the ownership and management, in whole or in part, of other companies; serving as independent consultants, and so forth.

While the Cooperative does not want to be unduly restrictive in this regard, it expects that outside activities will not in any way either detract from the employee's performance or effectiveness or create a conflict of interest. Therefore, no employee shall place himself/herself into a non-Cooperative business relationship, investment, or other activity where his/her actions are not in the best interests of the Cooperative or could reasonably be interpreted as not in the best interests of the Cooperative unless written approval has been obtained after full disclosure to the General Manager or to the President of the Board.

### III. PROVISIONS

A. The use of discretion and good judgment will help an employee avoid conflicts of interest. The following rules must also be followed.

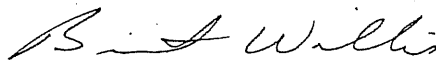
1. Outside activities must not be in conflict with the employee's job responsibilities at the Cooperative or the best interests of the Cooperative. If the non-Cooperative activity involves a company in a vendor relationship with the Cooperative, Policy No. III.A.12. must be followed. Non-Cooperative activities must also be in accordance with Policy No. III.A.10.

2. Non-Cooperative activities must not interfere with the employee's duties and responsibilities as a Cooperative employee.
  3. Non-Cooperative business activities must not be conducted during the Cooperative's regular work hours.
- B. Employees are expected to exercise discretion and good judgment in determining whether ethics and/or conflict of interest issues arise as a result of their non-Cooperative business activities. Whenever there is any question as to a possible conflict, employees should submit written details of proposed non-Cooperative business activities through their supervisor to the General Manager or to the Board President before becoming involved in the activity. Approval of such activity must not be assumed. An employee should refrain from engaging in the business or non-Cooperative activity until a final decision is made by the Cooperative.
- C. This policy does not apply to activities, memberships, officerships, or directorates in other electric cooperative organizations, whether national, state, or local.

#### IV. RESPONSIBILITY

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

APPROVED BY THE BOARD OF DIRECTORS



\_\_\_\_\_  
PRESIDENT

10/23/02

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DATE

DUCK RIVER ELECTRIC MEMBERSHIP CORPORATION

BOARD POLICY BULLETIN NO.III.A.12.

SUBJECT: ETHICS AND CONFLICTS OF INTEREST IN RELATIONSHIPS WITH VENDORS

I. OBJECTIVE

To provide a guide to the Cooperative's employees so that they may avoid any employee/vendor relationship that is not in the best interest of the Cooperative, or that could be interpreted not to be in the best interest of the Cooperative.

II. POLICY CONTENT

No employee shall place himself/herself into a situation or a relationship with a vendor where his/her actions are not in the best interest of the Cooperative, or could reasonably be interpreted as not being in the best interests of the Cooperative without written approval from the General Manager, following full disclosure.

III. PROVISIONS

A. Possible conflicts of interest should be discussed with the employee's supervisor. If the supervisor is unable to determine if a conflict exists, or if the supervisor determines that a conflict exists, the conflict shall be disclosed promptly, in writing, to the General Manager.

B. Employees' Outside Business Interests

Possible conflicts of interest relating to an employee's outside business interests include but are not limited to:

1. ownership, including ownership of stock, in whole or in part, either directly or through a relative or agent, of vendor companies;
2. relatives employed by or owning vendor companies. (The nature of the relationship between individuals and the position of the relative with the vendor company can influence the extent of any possible conflict of interest. Reporting such relationships to the employee's manager will permit a proper evaluation of the facts.);
3. direct employment or retention as a consultant by any vendor company; and

4. officerships and directorates in vendor companies. (Officerships or directorates in national, state-wide, material supply, or service cooperatives is excluded.)

C. Employees or Former Employees as Vendors or Subcontractors

1. Purchase orders and subcontracts may not be awarded to an employee of the Cooperative or to a partnership or corporation in which an employee is a principal or major stockholder.
2. Business should not be transacted with former Cooperative employees who are operating in a sales capacity or as a principal in a business until one year has elapsed since termination of their employment with the Cooperative.
3. Deviations from this policy must be approved by the General Manager.

D. Gifts, Favors, and Entertainment

It is the policy of the Cooperative that gifts, favors, and excessive entertainment have no place in the conduct of business and should be discouraged. Accordingly, Cooperative personnel are expected to:

1. adopt the Cooperative policy as their own and make this policy known by their actions, communications, and deeds; and
2. courteously decline or return any gift, favor, or offer of excessive entertainment. It is recognized that it is common trade practice to offer seasonal gifts and/or advertising novelties of insignificant value (pencils, pens, food items, cigarette lighters, and the like where the value is less than \$25). These seasonal gifts and advertising novelties are acceptable so long as their value does not exceed \$25. Whether or not an item can be considered an advertising novelty depends on the degree of prominence in which the vendor's name or trademark is displayed and the value of the item. Tickets for baseball, basketball, and football games and all other forms of entertainment may be accepted, if not excessive. A perishable gift, if it is excessive, may be contributed to a charitable organization in the name of the supplier. The supplier should receive written notification of the donation.

E. Business Meals

Excessive or extravagant business oriented luncheon and dinner engagements with suppliers are discouraged. If an employee does participate in a lunch or dinner engagement with a supplier, the engagement should be conducted in a manner so that the employee does not feel obligated to the supplier as a result of accepting business gifts or entertainment. Participation in group receptions, meals

and/or hospitality activities in conjunction with business meetings or trips is permissible.

1. As a general rule, excessive or extravagant luncheon and dinner engagements with vendors should be avoided. The Cooperative recognizes, however, that it is sometimes courteous and appropriate for employees to have lunch with suppliers during meetings with them that extend through the noon hour. Employees are permitted to participate in evening business meetings and/or dinner engagements with suppliers when such are considered to be in the best interest of the Cooperative.
2. To establish the proper environment for the conduct of the Cooperative's business, meals occurring in the local area of the Cooperative should be paid for by the employee and are reimbursable as a normal expense account item subject to approvals and limitations as may be required by policy. An employee may accept lunch and dinner invitations while a guest in a supplier facility.
3. In order to maintain an appropriate business atmosphere and to ensure attention to the best interests of the Cooperative, inappropriate or excessive use of alcoholic beverages is to be avoided. Consumption of alcoholic beverages is strictly prohibited during employees' working hours.

F. Financial Dealings with Suppliers

Employees must avoid any financial dealings, direct or indirect, with suppliers or their representatives, including but not limited to:

1. loans;
2. gambling or participating in contests;
3. investment in supplier companies;
4. use of real or personal property of a vendor, vendor's employee, or vendor's representative; and
5. business or investment dealings with a vendor, vendor's employee, or vendor's representative, such as joint ownership of investment real estate, joint ownership of other companies, and so forth.

G. Trips to Vendor Facilities

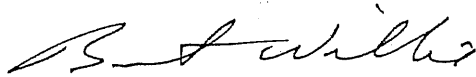
Suppliers may pay for hotel and travel expenses of Cooperative employees to manufacturing or office sites or other primary places of business, but trips to entertainment or recreational sites or other areas where the primary purpose is

enjoyment, or could be reasonably construed as such, (e.g. hunting lodges, fishing trips, sporting events, etc.) are not permissible.

#### IV. RESPONSIBILITY

The General Manager, department heads, and the Board of Directors shall be responsible for the administration of this policy.

APPROVED BY THE BOARD OF DIRECTORS



\_\_\_\_\_  
PRESIDENT

10/23/02  
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DATE