

HHWC Resolution 2019-01: Conflict of Interest Policy

Holmes Harbor Water Co., Inc. (HHWC) designates this document as our accepted Conflict of Interest Policy

Dealing with Conflicts of Interest: HHWC has a written conflict of interest policy to ensure that any conflicts of interest or the appearance thereof are avoided or appropriately managed through disclosure, recusal or other means. The conflict of interest policy applies to insiders (see definitions), including Board, parties related to the above, those who have an ability to influence decisions of the organization and those with access to information not available to the general public. Federal and state conflict disclosure laws are followed.

Purpose of Policy

The purpose of this policy is to protect the integrity of the decision making process of HHWC when persons in a position to influence a decision have a private interest in the outcome of the decision. It is essential for the ethical operation of HHWC and the protection of community confidence that HHWC does not offer special treatment to any person because of that person's relationship with HHWC. The policy has two sections:

Obligations of persons who have a duty of loyalty to HHWC when they have a potential conflict of interest in regard to a decision they are responsible for; and

Obligations of HHWC when a proposed action has the potential to benefit a person whose relationship with HHWC creates the possibility, whether real or perceived, of undue influence over the decision.

General Principle of Benefit of All Activities

As a non-profit Rural Cooperative Water Utility as defined in IRS Regulation 501(c)(12), HHWC is required to ensure that its actions benefit the membership of the Holmes Harbor Estates community. It is not permissible to take any action *primarily* for the purpose of conferring a

private benefit on an individual. A private benefit is allowed if it is incidental to the primary purpose of the action, and if the primary purpose cannot reasonably be achieved without conferring the private benefit. It is the duty of the Board to ensure that all activities of the organization meet the public benefit test and advance the mission of HHWC.

Obligations of Individuals Who Have a Duty of Loyalty to HHWC

Covered Persons

Persons who have a duty of loyalty to HHWC include members of the Board of Trustees. Also included are members of committees or advisory groups that have the authority to make decisions for HHWC or recommendations to the Board regarding specific actions. Individuals in this group are described as “covered persons” in this policy.

Definition of Conflict of Interest

Covered persons may have a conflict of interest when they have a private interest, financial or otherwise, in a transaction or project under consideration by the Board of Trustees or a committee of HHWC or when they propose to act on any issue, matter, or transaction in which HHWC has an interest, and in which they may have an interest separate from that of HHWC. The private interest may be a direct benefit to the covered person, or an indirect benefit through another party to whom the covered person has a family, business or other affiliation.

Family affiliations include spouse or domestic partner, parents and grandparents and their spouses, children and grandchildren and their spouses, and siblings and their spouses. Business affiliations include any person, corporation, or organization controlling, controlled by or under common control with the covered person. Other affiliations include entities in which the covered person serves on the Board or has a decision-making position, such as but not exclusive to other nonprofits, funders, municipalities or state or federal governments.

It is the responsibility of the Board or committee to determine if a potential conflict of interest constitutes an actual conflict of interest.

General Guidelines

Covered persons must conduct themselves under strict rules of honesty and fair dealing between themselves and HHWC. Such persons shall not use their position or knowledge gained during their association with HHWC for their private benefit nor to obtain an unfair advantage over any aspect of their dealings with HHWC.

Actions Required of Persons Who Have a Potential Conflict of Interest

Each covered person is obliged:

To disclose to the Board, or committee of the Board on which he or she serves, the existence of any potential conflict of interest;

To abstain from discussing with Board members, employees, or committee members any issue, matter, or transaction in which the Board or committee has determined he/she has a conflict of interest unless specifically asked by the Board or a Board committee to give information on the issue, matter, or transaction;

To absent himself or herself from Board and committee discussions on any issue, matter or transaction involving a conflict of interest, unless requested by the Board or committee to give information on the issue, matter or transaction;

To abstain from voting on any such issue, matter or transaction; and

When requested by the Board, to resign from the Board of Directors or committee until such time as the matter giving rise to the conflict of interest has been resolved. When, in the opinion of the Board president, the matter has been sufficiently resolved, the director may be invited to rejoin the Board or committee.

Failure to Disclose a Potential Conflict of Interest

Any failure to disclose a potential conflict of interest known to the covered person may result in removal from the Board, committee or staff if the Board decides it is warranted. In the case of a staff member, any such decision is subject to any procedures outlined in other employment policies.

Obligations of the Board in Preventing Undue Influence Over Decisions

Actions With the Potential for Undue Influence

Whenever an action taken by HHWC benefits an individual, the Board must be certain that the private benefit is incidental and that the primary purpose of the action is to advance the mission of HHWC. Actions involving certain persons whose relationship with HHWC suggests an ability to influence its decisions are subject to a higher level of scrutiny to guard against undue influence. Such actions include conflict of interest situations as described above, and also situations where the person receiving the benefit has no duty of loyalty to HHWC but has a close relationship with HHWC or access to confidential information. These persons, referred to in this policy as “influential persons”, include:

Persons subject to conflict of interest requirements as defined above in Paragraph B-1;

Anyone who has served as an officer or director within the five years preceding the date of the action;

Family members of all the above, including spouses, parents and grandparents and their spouses, children and grandchildren and their spouses, and siblings and their spouses; and

Business affiliations, including any person, corporation, or organization controlling, controlled by or under common control with any of the above.

Requirements of the Board or Committee to Prevent Undue Influence

When the Board or committee has determined that an action being considered involves a conflict of interest or has the potential to benefit an influential person, it will excuse the person concerned from any discussions of the action. In the case of a conflict of interest, the Board or committee may request that the conflicted person resign or take a leave of absence if the nature and magnitude of the conflict warrants it.

The Board or committee will approve the action only after making specific findings (recorded in the minutes) that:

The action is fair and benefits HHWC and its objectives;

Any consideration received by HHWC is at least equal in net value to any economic benefit offered in exchange;

The action is approved with the Board's full knowledge of its financial or other benefit to the influential person involved;

The influential person involved did not receive special treatment because of his/her relationship with HHWC;

When the influential person is a Board, staff or committee member, that person did not participate in the vote approving the action and was absent both during the discussion of the action and when the Board or committee voted on it; and

A more advantageous arrangement could not have been obtained with reasonable effort.

Documentation

Covered persons subject to the conflict of interest provisions shall sign a statement acknowledging that they have read and understand the policy and disclosing any known potential conflicts. These statements will be renewed annually and updated as needed in the interim.

Applications of the Conflict of Interest Policy will be recorded in the minutes of the Board or committee meeting, including any action taken by the Board to resolve the conflict. The minutes should include specific findings as described in Section C-2.

This policy was adopted by the Board of Trustees of the Holmes Harbor Water Co., Inc. on the _____th day of _____, _____, at a duly constituted meeting at which a quorum was present.

Signature of authorized officer

Date