

CONFLICT OF INTEREST POLICY NORTHWEST HYDROELECTRIC ASSOCIATION

Purpose

The purpose of the Conflict of Interest Policy is to protect the Northwest Hydroelectric Association's (NWEHA) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Association. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit associations.

Definitions

Interested Person. Any director, principal officer, or a member of a committee with board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity of which the Association is a part, he or she is an interested person with respect to all entities in the health care system.

Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- a. an ownership or investment interest in any entity with which the Association has a transaction or arrangement, or
- b. a compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement, or
- c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not substantial in nature. A financial interest is not necessarily a conflict of interest. A person who has a financial interest as described above may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Procedures

Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

Procedures for Addressing the Conflict of Interest.

- a. An interested person may make a presentation at the governing board of committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that result in the conflict of interest.
- b. The President of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the board or committee shall determine whether the Association can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

- d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Association's best interest and for its own benefit and whether it is fair and reasonable to the Association and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

Violations of the Conflict of Interest Policy

- a. If the Board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Records of Proceedings

The minutes of the Board and all committees with board-delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or committee's decision as to whether a conflict of interest in fact existed; and
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

Compensation

A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Association for services is precluded from voting on matters pertaining to that members' compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Association for services is precluded from voting on matters pertaining to that member's compensation.

Periodic Review

To ensure the Association operates in a manner consistent with charitable or non-profit purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic review shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arms' length bargaining;
- b. whether partnerships, joint venture arrangements, and arrangements with management service organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Association's non-profit purposes and do not result in inurement, or impermissible private benefit.