

KAUAI ISLAND UTILITY COOPERATIVE
BOARD POLICY NO. 5
Reviewed 01/30/2020

CONFLICTS OF INTEREST
AND CONDUCT OF INTERESTED PERSONS

PURPOSE OF POLICY:

Kauai Island Utility Cooperative (KIUC) has confidence in the loyalty and integrity of all members of its Board of Directors and staff. However, because of the importance of the subjects of conflicts of interest, improper corporate political activity and internal accounting controls of corporations, the Board of Directors considers it desirable to emphasize the policy of KIUC on these subjects and to publish this statement as a guide for all persons, including directors, officers and other management personnel, who might, by reason of their corporate duties, find themselves in a position where a conflict of interest may exist. This policy applies to the individuals identified in the policy and to any other individual who is provided and required by the Board of Directors to fill out an annual disclosure statement pursuant to this policy and is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and cooperative corporations.

POLICY CONTENT:

A. Definitions

1. Interested Person. Any director, officer or member of a committee with board-delegated powers who has a direct or indirect financial interest, as defined below, is an interested person.

2. Family. The family of any individual shall include his/her spouse, partners in a civil union, domestic partners, reciprocal beneficiaries, children, siblings (whether of the

whole or half blood), grandparents, grandchildren, great grandchildren, and spouses of the same. Adopted children shall be considered the same as children by blood.

3. 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 KIUC has a business transaction or arrangement, or;

b. a compensation arrangement with the Corporation or with any entity or individual with which KIUC has a business transaction or arrangement, or;

c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which KIUC is negotiating a business transaction or arrangement.

Compensation includes direct or indirect remuneration as well as gifts or favors that are substantial in nature.

B. Procedures

1. Duty to Disclose. In connection with any actual or possible conflicts of interest, an Interested Person must disclose the existence and nature of his/her financial interest to the directors and members of committees with board-delegated powers considering the proposed business transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, and after discussion with the Interested Person, the Interested Person shall leave the Board or committee meeting at which the financial interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest.

a. An Interested Person may make a presentation at the Board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.

b. The chairperson of the 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 KIUC can obtain a more advantageous business 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 business 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 KIUC's best interest and for its own benefit and whether the transaction is fair and reasonable to KIUC and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflicts of Interest Policy.

a. If the Board or committee has reasonable cause to believe that 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 or corrective action.

5. General Conduct of Interested Persons

a. Confidential Information. Confidential information pertaining to KIUC must be held in strictest confidence and may not be used as a basis for personal gain or advantage by an Interested Person, the Interested Person's Family, or others. Financial or other corporate information is not to be released to any person unless it has been published or otherwise made generally available to the public in accordance with applicable disclosure regulations, except as specifically approved by the Board of Directors.

b. Real Estate/Security Interests. Each Interested Person shall refrain from knowingly buying or selling, for his or her own account or the account of a member of his or her Family, any real estate, chattel, security or other interest which KIUC may be considering buying or selling, or has decided to buy or sell, until the decision by KIUC has been completely executed. Each Interested Person will also refrain from transmitting any knowledge of such consideration or decision or any other information which might be prejudicial to the interest of KIUC to any person other than in connection with the discharge of his/her corporate responsibilities.

c. Third Parties. Each Interested Person shall refrain from knowingly entering into any contract, agreement or transaction with a third party on behalf of KIUC which involves an improper or illegal advantage or disadvantage to such third party or to any competitor of such third party.

d. Gratuities. Each Interested Person must avoid placing himself or herself under actual or apparent obligation to anyone by accepting, or permitting his/her Family to

accept gifts or other favors where it might appear that they were given for the purpose of improperly influencing the Interested Person in the performance of his or her corporate duties. Interested Persons shall not accept any items of nominal or minor value, including but not limited to, any singular gift meal, entertainment or service, in excess of a \$100 value or repeated gifts of lesser value, except where there is a business reason and prior approval is granted by the Board of Directors.

e. Outside Activities. Each Interested Person shall avoid outside employment or activities which take away time and attention required by his or her corporate duties, or involve obligations which may in any way compete or conflict with the interest of KIUC, unless approved in advance by the Board of Directors.

C. Records of Proceedings

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

1. 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 existed; and

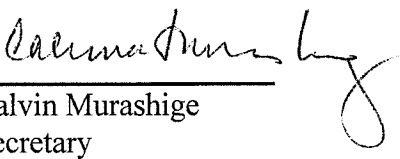
2. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

D. Annual Statements

Every year at the Annual Meeting of KIUC's Board of Directors as specified in Article III, Section 6, of the KIUC Bylaws (or the Bylaws' successor provision), each director, officer and member of a committee with board-delegated powers shall sign a statement, in the form attached hereto and incorporated herein as Exhibit "A", which affirms that such person:

1. Has received a copy of the conflicts of interest policy,
2. Has read and understands the policy, and;
3. Has agreed to comply with the policy.

Reviewed on this 30th day of January, 2020



Calvin Murashige
Secretary

Reviewed: 01/30/2020
Reviewed: 01/30/2018
Reviewed: 01/26/2016
Reviewed: 02/25/2014
Revised: 05/31/2011
Revised: 02/22/2011
Reviewed: 02/19/2008
Original Adoption: 04/12/2000

EXHIBIT "A"

CONFLICTS OF INTEREST STATEMENT

I, _____, do hereby affirm as follows:
PRINT NAME

1. I am an officer or a member of the Board of Directors or of a committee with board-delegated powers for Kauai Island Utility Co-op ("KIUC");

2. I have received a copy of KIUC's Board Policy No. 5 on Conflicts of Interest and Conduct of Interested Persons (the "Policy");

3. I have read and understood the Policy;

4. Unless otherwise indicated below and to the best of my knowledge, I am in full compliance with the Policy as of the latest date indicated below and agree to continue to comply with the Policy;

5. The following is a list of my business interest(s) and other organization(s) with which either I or my Family (as such term is defined in the Policy) is financially involved in any manner:

<u>Name of Organization</u>	<u>Name of Interested Person or Family Member</u>	<u>Nature of Involvement</u>

Executed this _____ day of _____, 20__.

Name:
Title:

Address: _____

