



92755 Allen Road
Astoria, OR 97103
P (503) 458-6461
F (503) 458-0993

kknappa@centurytel.net

Policy # 09-1
Conflict of Interest

Adopted or Effective: May 11, 2009

Purpose

The purpose of the conflict-of-interest policy is to protect the interests of Knappa Water Association, a tax-exempt organization, when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director or employee of Knappa Water Association or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Definitions

Interested Person

Any director, principal officer, employee, or member with Board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

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 Knappa Water Association has a transaction or arrangement,
- b. A compensation arrangement with Knappa Water Association or with any entity or individual with which Knappa Water 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 Knappa Water Association is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest.

Procedures

1. 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 with Board delegated powers considering the proposed transaction or arrangement.

2. 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, the remaining Board members will 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 of Directors meeting, but after the presentation, he/she will leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The president of the Board of Directors will, 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 will determine if Knappa Water Association can obtain with reasonable efforts a more advantageous transaction or arrangement 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 possible under circumstances not producing a conflict of interest, the Board of Directors or committee will determine by a majority vote of the disinterested directors whether the transaction or arrangement is in Knappa Water Association's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it will make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a. If the Board of Directors or committee has reasonable cause to believe a director, employee, or member has failed to disclose actual or possible conflicts of interest, it will inform the such individual of the basis for such belief and afford an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the individual's response and after making further investigation as warranted by the circumstances, the Board of Directors or committee determines the director, employee, or member has failed to disclose an actual or possible conflict of interest, it will take appropriate disciplinary and corrective action.

Records of Proceedings

The minutes of the Board of Directors and all committees with Board delegated powers will 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 of Directors' or committee's decision as to whether a conflict of interest existed.
- 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 with the proceedings.

Annual Statements

Each director, principal officer and member of a committee with Board of Directors delegated powers will annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands Knappa Water Association is a non-profit corporation and, in order to maintain its federal tax exemption, must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Periodic Reviews

To ensure that Knappa Water Association operates in a manner consistent with and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews will be conducted. The periodic reviews will, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to Knappa Water Association's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Use of Outside Experts

When conducting the periodic reviews as provided above, Knappa Water Association may, but need not, use outside advisors. If outside experts are used, their use will not relieve the Board of Directors of its responsibility for ensuring periodic reviews are conducted.

SIGNATURE ON FILE

Board President