

REGIONAL ORGANIZATION FOR
WESTERN ENERGY, INC.

Conflict of Interest Policy

1.0 PURPOSE

The purpose of this Conflict of Interest Policy (the “Policy”) is to protect the interests of Regional Organization for Western Energy, Inc. (the “ROWE” or “Corporation”) in connection with any transaction or arrangement that might benefit the private interests of any Covered Person, as defined below. This Policy provides (i) a systematic mechanism for disclosing and evaluating potential and actual conflicts as defined under Delaware law and related to any possible excess benefit transactions; and (ii) procedures for the Board of Directors or a committee with Board-delegated authority in considering any transaction or arrangement where a conflict may exist. This Policy is also intended to apply to “related organizations” of the Corporation, as defined in the Internal Revenue Service’s Instructions for Form 990, as modified from time to time. This Policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit corporations.

2.0 PERSONS COVERED BY THE POLICY

This Policy addresses transactions and arrangements involving the Corporation’s directors, officers, members of any committee of the Corporation’s Board of Directors with authority to act on behalf of the Board of Directors, and the Corporation’s executive employees (e.g., Executive Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer) and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation (“Covered Persons”). Every Covered Person shall sign a statement that affirms that he or she has received a copy of this Policy, has read and understands it, and has agreed to comply with it, and shall complete the questionnaire attached hereto disclosing his or her actual and potential conflicts of interest on an annual basis.

3.0 DUTIES OF COVERED PERSONS

- 3.1. **Duty of Care.** Every Covered Person shall perform his or her duties for the Corporation in good faith and with the degree of care that an ordinarily prudent person would exercise under similar circumstances.
- 3.2. **Duty of Loyalty.** Every Covered Person must act with loyalty to the Corporation, meaning that no Covered Person may use his or her position with the Corporation to make personal profit or gain other personal advantage. No Covered Person may personally take advantage of a business opportunity that is offered to the Corporation unless the Board of Directors determines (after full disclosure and a disinterested and informed evaluation) not to pursue that opportunity.
- 3.3. **Conflicts of Interest.** No Covered Person may engage in any transaction or arrangement or undertake positions with other organizations that involve a conflict of interest, except in compliance with this Policy. Covered Persons should avoid both actual conflicts and the appearance of conflicts of interest. Every Covered Person shall:

- (a) Disclose all actual and potential conflicts as set out below in Section 5; and
- (b) Recuse himself or herself from voting on any transaction or arrangement in which he or she has a potential or actual conflict of interest, and shall not be present when any such vote is taken.

4.0 CONFLICT OF INTEREST

4.1. Identifying a Potential Conflict. A Covered Person may have a conflict of interest with respect to a transaction or arrangement involving the Corporation whenever he or she, or any of his or her family members:

- (a) **Compensation.** Receives compensation directly or indirectly from the Corporation and the transaction or arrangement involves such compensation (e.g., an employee has a conflict of interest with respect to the determination of his or her own compensation). Compensation for purposes of this Policy includes direct and indirect remuneration, as well as gifts or favors that are substantial in nature;
- (b) **Financial Interest.** Has or anticipates having any financial interest, including an ownership interest, investment interest, or compensation arrangement, in or with any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation (e.g., a director who owns stock in a corporation that sells goods or services to the Corporation may have a conflict of interest with regard to such sales transactions); or
- (c) **Management Role.** Has or anticipates serving as a director, trustee or officer, employee or consultant of any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation.

Any Board Member who has a prohibited relationship or financial interest as described in this Section 4.1 must commit to terminating any prohibited relationship after being appointed and before exercising the duties of the office, and to dispose of any prohibited financial interests within six months after his or her installation as a Board Member.

4.2. No Conflict. A Covered Person does not have a conflict of interest if:

- (a) The Covered Person owns securities or voting interests of a non-publicly traded business enterprise with which the Corporation has a transaction or arrangement, if:
 - (i) Such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and

- (ii) The fair market value of such securities does not represent a material part of the person's overall net worth.
- (b) The Covered Person owns securities or voting interests of a publicly traded company with which the Corporation has a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

5.0 DISCLOSURE AND EVALUATION OF CONFLICTS

5.1. Disclosure.

Each Covered Person shall promptly and fully disclose all material facts of every actual or potential conflict of interest:

- (a) Existing at the time when he/she becomes a Covered Person;
- (b) That arises while he/she is a Covered Person, at the time such actual or potential conflict arises; and
- (c) Annually through the annual Conflict of Interest Questionnaire, a copy of which is attached hereto.

All disclosures involving a transaction or arrangement being considered at a meeting of the Board of Directors or a committee shall be made to all members present at such meeting. All other disclosures shall be made to the President (who shall disclose his or her conflicts to the Board of Directors). A Covered Person who is in doubt as to the existence of a conflict of interest is encouraged to disclose all facts pertaining to the transaction or arrangement before undertaking the transaction or arrangement or making any decision in the matter.

5.2. Evaluation.

- (a) The President or chairman of any committee established by the Board of Directors for purposes of implementation of this Policy shall disclose to the Board of Directors all conflicts of interest reported to him or her under this Policy. The Board of Directors will evaluate the disclosures and the material facts relating to the transaction or arrangement giving rise to the potential conflict of interest to determine whether they involve actual conflicts of interest and may attempt to develop alternatives to remove the conflict from the transaction or arrangement. The Board of Directors may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (b) A Covered Person who has an actual or potential conflict of interest shall not be present for or shall leave any portion of a meeting at which the Board of Directors or a committee is voting to determine whether a conflict exists,

but may be present prior to the vote to make a presentation to the Board or committee, to disclose additional facts, or to respond to questions.

6.0 PROCEDURES FOR ACTING ON CONFLICT OF INTEREST TRANSACTIONS

6.1. Formal Approval. The Corporation may enter into a transaction or arrangement in which a Covered Person has a conflict of interest if:

- (a) The Covered Person has disclosed the conflict of interest in accordance with this Policy;
- (b) A majority of directors who have no interest in the transaction or arrangement approve the transaction or arrangement at a Board or committee meeting after determining in good faith and after reasonable investigation, that the transaction or arrangement is fair and reasonable to the Corporation and is in the Corporation's best interest;
- (c) Any Covered Person who has an actual or potential conflict with respect to the transaction or arrangement does not participate in and is not present for the vote regarding any such transaction or arrangement (provided, however, that any such Covered Person may appear at a meeting to answer questions concerning the transaction or arrangement); and
- (d) In any arrangement or transaction involving compensation, remuneration or other economic or financial benefit to the Covered Person, the Board of Directors relies upon appropriate comparability data, such as an independent appraisal or an independent compensation study, in reaching its determination as to the fairness and reasonableness of the transaction or arrangement to the Corporation.

6.2. Transaction Fair to the Corporation. It shall not be a violation of this Policy if all the requirements for formal approval, outlined above, are not satisfied, so long as the transaction or arrangement does not violate any applicable rules and regulations related to conflicts of interest and ethical conduct effective as to board members, and also is in fact fair to the Corporation, furthers its tax-exempt purposes, and does not result in private inurement, impermissible private benefit, or an excess benefit transaction under laws applicable to organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as amended (the "*Code*").

7.0 RECORDS OF PROCEEDINGS

7.1. Content of Minutes. The minutes of the Board of Directors or any committee of the Board for any meetings described above shall contain:

- (a) The names of the persons who disclosed an actual or potential conflict of interest or otherwise were found to have a conflict of interest;
- (b) The nature of the conflict of interest;
- (c) Any action taken to determine whether a conflict of interest was present;
- (d) The Board's or committee's decision as to whether a conflict of interest in fact existed;
- (e) The names of the persons who were present for discussions and votes relating to the transaction or arrangement;
- (f) The content of the discussion, including any alternatives to the proposed transaction or arrangement considered and any comparability data relied upon; and
- (g) A record of any votes taken in connection with the issue, transaction or arrangement.

7.2. Timing. The minutes of any meeting described above shall be prepared by the later of the next succeeding meeting of the Board of Directors or committee, or sixty (60) days after the final action on the matter is taken by the Board of Directors or committee.

8.0 ENFORCEMENT

Each Covered Person shall sign a statement acknowledging that he or she has received a copy of this Policy, has read and understands it, and agrees to comply with it. If the Board of Directors has reasonable cause to believe that a Covered Person has failed to comply with this Policy, the Board may counsel the Covered Person regarding such failure and, if the issue is not resolved to the Board's satisfaction, may consider additional corrective action as appropriate.

9.0 TRANSACTIONS WITH PAST COVERED PERSONS AND OTHER DISQUALIFIED PERSONS

This section applies to Disqualified Persons, as defined below, including without limitation, persons who once were, but no longer are, Covered Persons. Section 4958 of the Code imposes excise taxes on (a) Disqualified Persons who engage in excess benefit transactions with charities and (b) Corporation Managers who knowingly approve such transactions.

To protect Disqualified Persons and Corporation Managers from excise taxes, it is the Corporation's policy that all transactions between Disqualified Persons and the Corporation be approved by the Board (or designated committee thereof) after taking into consideration data sufficient to demonstrate that the consideration proposed to be paid or received by the Corporation represents the fair market value of the goods or services to be obtained or provided by the

Corporation, as the case may be. Appropriate evidence might include, compensation surveys, opinions of experts, bids or other similar data. A Disqualified Person is any person who, during the five-year period ending on the date of the transaction, had substantial influence over the charity. Voting directors, officers and many key employees are presumed to be Disqualified Persons. Other persons (including contributors) are evaluated on a case-by-case basis. Corporation Managers include officers, directors and trustees (and persons with similar powers) and employees having authority or responsibility with respect to the expenditure in question.

CERTIFICATE OF ADOPTION

The foregoing Conflict of Interest Policy was adopted by the Board of Directors of the ROWE as of the Effective Date first set forth herein.

By: _____

Name: _____

Title: Secretary _____

[CORPORATION]

CONFLICT OF INTEREST QUESTIONNAIRE

This Questionnaire is to be completed annually by all Corporation officers, directors, members of committees of the Board of Directors authorized to act on behalf of the Board, executive employees, and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation.

NAME AND BACKGROUND INFORMATION

Name _____

Address: _____

Telephone Number: _____

Position with the Corporation: _____

CONFLICT OF INTEREST INFORMATION

Investments. Identify any investments* that you or a member of your family has or had during the last two (2) years in any organization that has, does, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

// None

* "Investments" for purposes of this disclosure do not include securities or voting interests of a non-publicly traded company if (a) such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and (b) the fair market value of such securities does not represent a material part of the person's overall net worth. It also does not include securities or voting interests of a publicly traded company with which the Corporation has

a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

Director or Other Services. Identify any services that you or a member of your family provides or provided with the last five (5) years as a director, partner, principal, manager, employee or consultant to any organization that does, has, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

// None

Interests in Transactions. Identify any interest that you or a member of your family or any organization in which you have an interest (e.g., a corporation or partnership) has had in any transaction during the last five (5) years, to which the Corporation or any related organization, was a party (e.g., loans, sales of goods or services, guarantees), or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

// None

Other. Identify any other circumstances affecting you or members of your family that might appear to involve a conflict of interest, actual or potential, and any circumstances that could be viewed as use of information relating to the Corporation's business for personal profit or advantage:

// None

ACKNOWLEDGMENT AND SIGNATURE

To the best of my knowledge and belief, the above information is true and accurate. I have received a copy of the Corporation's Conflict of Interest Policy, which I have read and understand, and I hereby agree to comply with it.

Executed as of _____.

By: _____
Name: [Officer/ director name]
Title: [Title]