

EPCOR 130 PROJECT INC.
2355 W Pinnacle Peak Road
Suite 300
Phoenix, AZ 85027

April 22, 2020

Via email to tday@epcor.com

Troy Day, Director
130 Regional Water Supply Corporation

Re: 130 Regional Water Supply Corporation Director Obligations

Dear Mr. Day:

As of the date of this letter, you are reappointed as one of EPCOR 130 Project Inc.'s representatives to serve as a director of 130 Regional Water Supply Corporation, a Texas water supply corporation ("130 RWSC"). 130 RWSC is subject to Texas' open meetings laws found in Section 551 of the Texas Government Code. You may recall from your appointment last year that Section 551.051 of that code required you, as a director of 130 RWSC, to complete open meeting training provided by the Texas Attorney General. You completed that training and are not required to complete it again. However, if you need a refresher, the training can be found at:

<https://www.texasattorneygeneral.gov/open-government/open-meetings-act-training>

In addition, this is a reminder that, as a director of 130 RWSC who has working relationships outside of 130 RWSC with some or all of the other 130 RWSC directors, it is important that you not inadvertently run afoul of the Texas Open Meeting law by conducting, or creating the appearance that you are conducting, any 130 RWSC business outside of a duly called and conducted open meeting of its Board of Directors. Please be particularly vigilant about this issue any time you find yourself at a social or business gathering or meeting at which two or more of the other 130 RWSC directors are also present as your collective presence together at that event could be construed as constituting a quorum of the 130 RWSC directors. The Texas Open Meeting Law, at section 551.001(4), in the definition of "Meeting", provides the following guidance on this topic:

The term [Meeting] does not include the gathering of a quorum of a governmental body [i.e., the 130 RWSC Board of Directors] at a social function unrelated to the public business that is conducted by the body, the attendance by a quorum of a governmental body at a regional, state, or national convention or workshop, ceremonial event, or press conference, or the attendance by a quorum of a governmental body at a candidate forum, appearance, or debate to inform the electorate, ***if formal action is not taken and any discussion of public business is incidental*** [emphasis added] to the social function, convention, workshop, ceremonial event, press conference, forum, appearance, or debate.

Finally, enclosed with this letter is a copy of the Conflict of Interest and Ethics Policy of 130 RWSC that was adopted by its Board of Directors in 2016 and which remains in effect today. At the end of that policy is a Conflict of Interest Disclosure Form that is required to be submitted annually pursuant to Article V of the policy. Please review the policy and complete the Disclosure Form and return it to Greg.

Please contact Greg Barber, 130 RWSC's Secretary-Treasurer, if you have any questions.

Very truly yours,

Joseph Gysel
President – EPCOR 130 Project Inc.

Enclosure

C: Gregory Barber, Secretary-Treasurer 130 Regional Water Supply Corporation
Martin Stanek, EPCOR 130 Project Inc. Legal Counsel

CONFLICT OF INTEREST AND ETHICS POLICY

OF

130 REGIONAL WATER SUPPLY CORPORATION

A Texas Nonprofit Water Supply Corporation

ARTICLE I. INTRODUCTION AND PURPOSE

130 Regional Water Supply Corporation (the “Corporation”) requires its directors, officers, employees and volunteers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Board of Directors (the “Board”) of the Corporation, recognizing that it is entrusted with resources by and for the benefit of the members of the Corporation, has adopted this Conflict of Interest and Ethics Policy (the “Policy”). The Corporation strives to avoid conflicts of interest to ensure that it continues to operate in accordance with its nonprofit purpose. This Policy is intended to supplement but not replace any state and federal laws governing conflicts of interest applicable to nonprofit corporations.

ARTICLE II. CONFLICTS OF INTEREST

Section 1. Direct and Indirect Conflicts of Interest. Conflicts of interest can place personal interests of a director, manager, principal, officer or member of a committee with Board-delegated powers (each, an “Interested Person”) in conflict with the interests of the Corporation. Conflicts of interest may arise from personal relationships or financial interests. Conflicts can arise either directly or indirectly. A direct conflict can arise where an Interested Person has a personal or financial interest in any matter involving the Corporation, has a financial or agency relationship (i.e., is a director, officer, manager, partner, associate, trustee or has a similar agency relationship) with an entity involved in a transaction or other business with the Corporation, or has an interest in real property which may be affected by a transaction or other business of the Corporation. An indirect conflict can arise where someone related to an Interested Person by business affiliation or association, or a “Family Member” (parents, children, brothers and sisters, spouse, parents-in-law, grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren) of the Interested Person has a personal or financial interest in any matter involving the Corporation, has a financial or agency relationship with an entity involved in a transaction or other business with the Corporation, or has an interest in real property which may be affected by a transaction or other business of the Corporation. By way of example, an Interested Person has a financial interest if such person has, directly or indirectly, through business, investment or a Family Member:

- (a) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
- (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement;

- (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
- (d) an equitable or legal ownership in real property with a fair market value of \$2,500 or more which may be affected by a transaction or arrangement of the Corporation.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

Section 2. Potential and Actual Conflicts of Interest. Acts that mix the personal or financial interests of an Interested Person with the interests of the Corporation are indicative of a conflict of interest. Not every potential conflict is an actual conflict. However, acts that even have the appearance of a conflict of interest can be damaging to the reputation of the Corporation. Consequently, the Corporation seeks to avoid actual and potential conflicts of interest, as well as the appearance of conflicts.

Section 3. Activities that May Present a Conflict of Interest. The following is a non-exclusive list of the types of activities that may present a conflict of interest and should be disclosed in accordance with Article III.

- (a) **Substantial Interest in a Business Entity.** An Interested Person has a “Substantial Interest in a Business Entity” if the Interested Person or the Interested Person’s Family Member owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity or the funds received by the Interested Person from the business entity exceed 10 percent of the person’s gross income for the previous year.
- (b) **Substantial Interest in Real Property.** An Interested Person has a “Substantial Interest in Real Property” if the Interested Person or the Interested Person’s Family Member has an equitable or legal ownership in the property with a fair market value of \$2,500 or more.
- (c) **Potentially Adverse Contracts or Transactions with the Corporation.** An Interested Person may have a conflict of interest if a contract or transaction involves the Corporation and (i) the Interested Person, the Interested Person’s Family Member, or an associate or affiliate of the Interested Person; or (ii) an entity or other organization in which the Interested Person, the Interested Person’s Family Member, or an affiliate or associate of the Interested Person has an agency or financial interest.
- (d) **Competing Interests.** Competition by an Interested Person, either directly or indirectly, with the Corporation in the purchase or sale of property or property rights, interests, or services.
- (e) **Use of Resources.** Use of the Corporation’s resources (for example, staff, contracts, member lists, or name) for personal purposes of the Interested Person or a Family Member of such person.
- (f) **Inside Information.** Disclosure or exploitation by an Interested Person of information pertaining to the Corporation’s business for the personal profit or advantage of the

Interested Person or a Family Member of such person or a person or entity with whom the Interested Person has an agency relationship.

Section 4. Disclosure. The primary obligation of any person subject to this Policy who may be involved in a conflict of interest situation is to bring it to the attention of those designated under the disclosure procedures in Article III so that the potential conflict can be evaluated and addressed. An Interested Person should not make the decision about whether a conflict of interest exists unilaterally.

ARTICLE III. PROCEDURES TO DISCLOSE AND RESOLVE CONFLICTS

Section 1. Duty to Self-Disclose.

- (a) An Interested Person shall make an appropriate disclosure of all material facts, including the existence of any financial interest, agency interest, or real property interest, at any time that any actual or potential conflict of interest or ethical question arises. This disclosure obligation includes instances in which the Interested Person plans not to attend a meeting of the Board or a Board committee with Board-delegated powers (a "Committee") at which he or she has reason to believe that the Board or Committee will act regarding a matter about which he or she may have a conflict. Depending on the circumstances, this disclosure may be made to the President or Secretary of the Corporation or, if the potential conflict of interest first arises in the context of a Board or Committee meeting, the entire Board or the members of the Committee considering the proposed transaction or arrangement that relates to the actual or potential conflict of interest or ethical question.
- (b) In addition, Interested Persons shall, in accordance with Article VI, make an annual disclosure of on-going relationships and interests that may present a conflict of interest.
- (c) Interested Persons shall execute an affidavit stating the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property before a vote or decision on any matter involving the business entity or real property is made.

Section 2. Disclosure of Conflicts of Others. If an Interested Person becomes aware of any potential conflict of interest involving another Interested Person, he or she should report it to the President, the Secretary, or another Officer of the Corporation.

Section 3. Procedures for Addressing a Conflict of Interest. Prior to voting on a contract, transaction or matter in which a conflict of interest exists, the Board or Committee will follow the procedures described in this Section 3.

- (a) If an Interested Person has a Substantial Interest in a Business Entity and an action by the Corporation on a matter will have a special economic effect on the business entity that is distinguishable from the effect on the public, the Interested Person must abstain from further participation in the matter.
- (b) If an Interested Person has a Substantial Interest in Real Property and it is reasonably foreseeable that an action by the Corporation on a matter will have a special economic effect on the value of the real property distinguishable from the effect on the public, the Interested Person must abstain from further participation in the matter.

- (c) If an Interested Person has a Substantial Interest in a Business Entity, the Board or Committee is required to take a separate vote on any budget item specifically dedicated to a contract with the business entity.
- (d) The Board or Committee may, in good faith and with ordinary care, authorize a Potentially Adverse Contract or Transaction by the affirmative vote of a majority of the disinterested directors or Committee members regardless of whether the disinterested individuals constitute a quorum. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Board or Committee.
- (e) If the Corporation's Members are entitled to vote on the item, the Members may, in good faith and with ordinary care, approve or authorize the Potentially Adverse Contract or Transaction by a vote of the Members. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Members.
- (f) A Potentially Adverse Contract or Transaction is not void or voidable if it is fair to the Corporation when it is authorized, approved, or ratified by the Board, the Committee, or the Members.

Section 4. Violations of the Conflict of Interest Policy.

- (a) If the Board has reasonable cause to believe that an Interested Person has failed to disclose an actual or potential conflict of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.
- (b) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board determines the Interested Person has failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV. COMPENSATION

Section 1. A voting member of the Board who receives compensation, directly or indirectly, from the Corporation for services provided is precluded from voting on matters pertaining to that member's compensation.

Section 2. A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services provided is precluded from voting on matters pertaining to that member's compensation.

Section 3. No voting member of the Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly from the Corporation, either individually or collectively, is prohibited from providing information to any Committee regarding compensation.

ARTICLE V. ANNUAL STATEMENTS

Each person subject to this Policy shall annually sign a statement on the conflict of interest disclosure form ("Conflict of Interest Disclosure Form," attached as **Schedule 1**) or such other form as the Board adopts, which at a minimum affirms that such person:

- (a) has received a copy of the Policy;
- (b) has read and understands the Policy;
- (c) has agreed to comply with the Policy; and
- (d) understands the Corporation is organized for nonprofit purposes, and in order to maintain its federal tax exemption the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

In addition, if a matter arises in which an Interested Person has a Substantial Interest in a Business Entity or a Substantial Interest in Real Property which could be or become a potential or actual conflict of interest, the Interested Person must execute and file with the Corporation an affidavit stating the nature and extent of the interest. Conflict of interest disclosure forms and affidavits will be submitted to the Secretary of the Corporation annually, and when appropriate, at or prior to action on relevant business transactions.

ARTICLE VII. CODE OF ETHICS

Section 1. **Code of Ethics.** In conducting business and activities which are connected with the Corporation, an Interested Person shall follow these guidelines:

- (a) **Ethical Conduct.** Be honest and ethical in his or her conduct, including ethical handling of actual, potential or apparent conflicts of interest between personal and professional relationships. An Interested Person should not engage in activities which have or may have the appearance of impropriety or conflict of interest, or that may call into question the actions or integrity of the Corporation, or of the Interested Person as he or she relates to the Corporation.
- (b) **Legal Compliance.** Comply with applicable laws and regulations, including the Texas Business and Organizations Code and the Texas Water Code and report his or her concerns to the appropriate person listed in Article III, Section 2, if it appears that any other director, officer, or employee of the Corporation is not complying with applicable laws or regulations with respect to the Corporation's business.
- (c) **Confidentiality.** Maintain the confidentiality of all internal information about the Corporation except when authorized or otherwise legally obligated to disclose such information.
- (d) **Fair Dealing.** Deal fairly with the Corporation's members, staff, and volunteers and with those with whom the Corporation interacts.
- (e) **Protect Assets.** Protect and ensure the proper use of the Corporation's assets, including, its name, goodwill and reputation.

- (f) **Personal Influence.** Be mindful of the interaction between his or her relationships inside and outside of the Corporation, and not allow inappropriate personal influence over the affairs of the Corporation.
- (g) **Commitments.** Do not “speak for” the Corporation or make or imply commitments by the Corporation without proper internal authorization and communication.
- (h) **Loans.** The Corporation may make loans to an employee or officer of the Corporation, if the loan or assistance may reasonably be expected to directly or indirectly benefit the Corporation. The Corporation may not make loans to a member of the Board of Directors.

SCHEDULE 1: CONFLICT OF INTEREST DISCLOSURE FORM

The undersigned, as a director, manager, principal, officer, or member of a committee with governing board-delegated powers, of **130 Regional Water Supply Corporation** (the "Corporation"), acknowledges that:

1. He or she has received a copy of the Corporation's Conflict of Interest Policy (the "Policy");
2. He or she has read and understands the Policy;
3. He or she has agreed to comply with the Policy;
4. He or she understands the Corporation is nonprofit and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes;
5. He or she will submit an affidavit identifying the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property, as defined in the Policy, if and when appropriate; and
6. The following on-going relationships and interests may present a conflict of interest: *(disclosures should address current affiliations, as well as past affiliations for the prior two years, and should include all of the following: the undersigned's employer, all corporations (nonprofit and for-profit) of which the undersigned is a board member or officer, and the names of such of the undersigned's Family Members or business affiliates or any other relationships the undersigned has which the undersigned believes may present a potential conflict)*

Name: _____

Title: _____

Signature: _____

Date: _____

EPCOR 130 PROJECT INC.
2355 W Pinnacle Peak Road
Suite 300
Phoenix, AZ 85027

April 22, 2020

Via email to mirlbeck@epcor.com

Michael Irlbeck, Director
130 Regional Water Supply Corporation

Re: 130 Regional Water Supply Corporation Director Obligations

Dear Mr. Irlbeck:

As of the date of this letter, you are reappointed as one of EPCOR 130 Project Inc.'s representatives to serve as a director of 130 Regional Water Supply Corporation, a Texas water supply corporation ("130 RWSC"). 130 RWSC is subject to Texas' open meetings laws found in Section 551 of the Texas Government Code. You may recall from your appointment last year that Section 551.051 of that code required you, as a director of 130 RWSC, to complete open meeting training provided by the Texas Attorney General. You completed that training and are not required to complete it again. However, if you need a refresher, the training can be found at:

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Finally, enclosed with this letter is a copy of the Conflict of Interest and Ethics Policy of 130 RWSC that was adopted by its Board of Directors in 2016 and which remains in effect today. At the end of that policy is a Conflict of Interest Disclosure Form that is required to be submitted annually pursuant to Article V of the policy. Please review the policy and complete the Disclosure Form and return it to Greg.

Please contact Greg Barber, 130 RWSC's Secretary-Treasurer, if you have any questions.

Very truly yours,

Joseph Gysel
President – EPCOR 130 Project Inc.

Enclosure

C: Gregory Barber, Secretary-Treasurer 130 Regional Water Supply Corporation
Martin Stanek, EPCOR 130 Project Inc. Legal Counsel

CONFLICT OF INTEREST AND ETHICS POLICY

OF

130 REGIONAL WATER SUPPLY CORPORATION

A Texas Nonprofit Water Supply Corporation

ARTICLE I. INTRODUCTION AND PURPOSE

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- (e) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
- (f) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement;

- (g) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
- (h) an equitable or legal ownership in real property with a fair market value of \$2,500 or more which may be affected by a transaction or arrangement of the Corporation.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

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- (h) **Substantial Interest in Real Property.** An Interested Person has a “Substantial Interest in Real Property” if the Interested Person or the Interested Person’s Family Member has an equitable or legal ownership in the property with a fair market value of \$2,500 or more.
- (i) **Potentially Adverse Contracts or Transactions with the Corporation.** An Interested Person may have a conflict of interest if a contract or transaction involves the Corporation and (i) the Interested Person, the Interested Person’s Family Member, or an associate or affiliate of the Interested Person; or (ii) an entity or other organization in which the Interested Person, the Interested Person’s Family Member, or an affiliate or associate of the Interested Person has an agency or financial interest.
- (j) **Competing Interests.** Competition by an Interested Person, either directly or indirectly, with the Corporation in the purchase or sale of property or property rights, interests, or services.
- (k) **Use of Resources.** Use of the Corporation’s resources (for example, staff, contracts, member lists, or name) for personal purposes of the Interested Person or a Family Member of such person.
- (l) **Inside Information.** Disclosure or exploitation by an Interested Person of information pertaining to the Corporation’s business for the personal profit or advantage of the

Interested Person or a Family Member of such person or a person or entity with whom the Interested Person has an agency relationship.

Section 4. Disclosure. The primary obligation of any person subject to this Policy who may be involved in a conflict of interest situation is to bring it to the attention of those designated under the disclosure procedures in Article III so that the potential conflict can be evaluated and addressed. An Interested Person should not make the decision about whether a conflict of interest exists unilaterally.

ARTICLE III. PROCEDURES TO DISCLOSE AND RESOLVE CONFLICTS

Section 1. Duty to Self-Disclose.

- (d) An Interested Person shall make an appropriate disclosure of all material facts, including the existence of any financial interest, agency interest, or real property interest, at any time that any actual or potential conflict of interest or ethical question arises. This disclosure obligation includes instances in which the Interested Person plans not to attend a meeting of the Board or a Board committee with Board-delegated powers (a "Committee") at which he or she has reason to believe that the Board or Committee will act regarding a matter about which he or she may have a conflict. Depending on the circumstances, this disclosure may be made to the President or Secretary of the Corporation or, if the potential conflict of interest first arises in the context of a Board or Committee meeting, the entire Board or the members of the Committee considering the proposed transaction or arrangement that relates to the actual or potential conflict of interest or ethical question.
- (e) In addition, Interested Persons shall, in accordance with Article VI, make an annual disclosure of on-going relationships and interests that may present a conflict of interest.
- (f) Interested Persons shall execute an affidavit stating the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property before a vote or decision on any matter involving the business entity or real property is made.

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- (h) If an Interested Person has a Substantial Interest in Real Property and it is reasonably foreseeable that an action by the Corporation on a matter will have a special economic effect on the value of the real property distinguishable from the effect on the public, the Interested Person must abstain from further participation in the matter.

- (i) If an Interested Person has a Substantial Interest in a Business Entity, the Board or Committee is required to take a separate vote on any budget item specifically dedicated to a contract with the business entity.
- (j) The Board or Committee may, in good faith and with ordinary care, authorize a Potentially Adverse Contract or Transaction by the affirmative vote of a majority of the disinterested directors or Committee members regardless of whether the disinterested individuals constitute a quorum. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Board or Committee.
- (k) If the Corporation's Members are entitled to vote on the item, the Members may, in good faith and with ordinary care, approve or authorize the Potentially Adverse Contract or Transaction by a vote of the Members. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Members.
- (l) A Potentially Adverse Contract or Transaction is not void or voidable if it is fair to the Corporation when it is authorized, approved, or ratified by the Board, the Committee, or the Members.

Section 4. Violations of the Conflict of Interest Policy.

- (c) If the Board has reasonable cause to believe that an Interested Person has failed to disclose an actual or potential conflict of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.
- (d) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board determines the Interested Person has failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV. COMPENSATION

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Each person subject to this Policy shall annually sign a statement on the conflict of interest disclosure form ("Conflict of Interest Disclosure Form," attached as **Schedule 1**) or such other form as the Board adopts, which at a minimum affirms that such person:

- (e) has received a copy of the Policy;
- (f) has read and understands the Policy;
- (g) has agreed to comply with the Policy; and
- (h) understands the Corporation is organized for nonprofit purposes, and in order to maintain its federal tax exemption the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

In addition, if a matter arises in which an Interested Person has a Substantial Interest in a Business Entity or a Substantial Interest in Real Property which could be or become a potential or actual conflict of interest, the Interested Person must execute and file with the Corporation an affidavit stating the nature and extent of the interest. Conflict of interest disclosure forms and affidavits will be submitted to the Secretary of the Corporation annually, and when appropriate, at or prior to action on relevant business transactions.

ARTICLE VII. CODE OF ETHICS

Section 1. Code of Ethics. In conducting business and activities which are connected with the Corporation, an Interested Person shall follow these guidelines:

- (i) **Ethical Conduct.** Be honest and ethical in his or her conduct, including ethical handling of actual, potential or apparent conflicts of interest between personal and professional relationships. An Interested Person should not engage in activities which have or may have the appearance of impropriety or conflict of interest, or that may call into question the actions or integrity of the Corporation, or of the Interested Person as he or she relates to the Corporation.
- (j) **Legal Compliance.** Comply with applicable laws and regulations, including the Texas Business and Organizations Code and the Texas Water Code and report his or her concerns to the appropriate person listed in Article III, Section 2, if it appears that any other director, officer, or employee of the Corporation is not complying with applicable laws or regulations with respect to the Corporation's business.
- (k) **Confidentiality.** Maintain the confidentiality of all internal information about the Corporation except when authorized or otherwise legally obligated to disclose such information.
- (l) **Fair Dealing.** Deal fairly with the Corporation's members, staff, and volunteers and with those with whom the Corporation interacts.
- (m) **Protect Assets.** Protect and ensure the proper use of the Corporation's assets, including, its name, goodwill and reputation.

- (n) **Personal Influence.** Be mindful of the interaction between his or her relationships inside and outside of the Corporation, and not allow inappropriate personal influence over the affairs of the Corporation.
- (o) **Commitments.** Do not “speak for” the Corporation or make or imply commitments by the Corporation without proper internal authorization and communication.
- (p) **Loans.** The Corporation may make loans to an employee or officer of the Corporation, if the loan or assistance may reasonably be expected to directly or indirectly benefit the Corporation. The Corporation may not make loans to a member of the Board of Directors.

SCHEDULE 1: CONFLICT OF INTEREST DISCLOSURE FORM

The undersigned, as a director, manager, principal, officer, or member of a committee with governing board-delegated powers, of **130 Regional Water Supply Corporation** (the "Corporation"), acknowledges that:

- 7. He or she has received a copy of the Corporation's Conflict of Interest Policy (the "Policy");
- 8. He or she has read and understands the Policy;
- 9. He or she has agreed to comply with the Policy;
- 10. He or she understands the Corporation is nonprofit and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes;
- 11. He or she will submit an affidavit identifying the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property, as defined in the Policy, if and when appropriate; and
- 12. The following on-going relationships and interests may present a conflict of interest: *(disclosures should address current affiliations, as well as past affiliations for the prior two years, and should include all of the following: the undersigned's employer, all corporations (nonprofit and for-profit) of which the undersigned is a board member or officer, and the names of such of the undersigned's Family Members or business affiliates or any other relationships the undersigned has which the undersigned believes may present a potential conflict)*

Name: _____

Title: _____

Signature: _____

Date: _____

EPCOR 130 PROJECT INC.
2355 W Pinnacle Peak Road
Suite 300
Phoenix, AZ 85027

April 22, 2020

Via email to jlulewicz@epcor.com

John Lulewicz, Director
130 Regional Water Supply Corporation

Re: 130 Regional Water Supply Corporation Director Obligations

Dear Mr. Lulewicz:

As of the date of this letter, you are reappointed as one of EPCOR 130 Project Inc.'s representatives to serve as a director of 130 Regional Water Supply Corporation, a Texas water supply corporation ("130 RWSC"). 130 RWSC is subject to Texas' open meetings laws found in Section 551 of the Texas Government Code. You may recall from your appointment last year that Section 551.051 of that code required you, as a director of 130 RWSC, to complete open meeting training provided by the Texas Attorney General. You completed that training and are not required to complete it again. However, if you need a refresher, the training can be found at:

<https://www.texasattorneygeneral.gov/open-government/open-meetings-act-training>

In addition, this is a reminder that, as a director of 130 RWSC who has working relationships outside of 130 RWSC with some or all of the other 130 RWSC directors, it is important that you not inadvertently run afoul of the Texas Open Meeting law by conducting, or creating the appearance that you are conducting, any 130 RWSC business outside of a duly called and conducted open meeting of its Board of Directors. Please be particularly vigilant about this issue any time you find yourself at a social or business gathering or meeting at which two or more of the other 130 RWSC directors are also present as your collective presence together at that event could be construed as constituting a quorum of the 130 RWSC directors. The Texas Open Meeting Law, at section 551.001(4), in the definition of "Meeting", provides the following guidance on this topic:

The term [Meeting] does not include the gathering of a quorum of a governmental body [i.e., the 130 RWSC Board of Directors] at a social function unrelated to the public business that is conducted by the body, the attendance by a quorum of a governmental body at a regional, state, or national convention or workshop, ceremonial event, or press conference, or the attendance by a quorum of a governmental body at a candidate forum, appearance, or debate to inform the electorate, ***if formal action is not taken and any discussion of public business is incidental*** [emphasis added] to the social function, convention, workshop, ceremonial event, press conference, forum, appearance, or debate.

Finally, enclosed with this letter is a copy of the Conflict of Interest and Ethics Policy of 130 RWSC that was adopted by its Board of Directors in 2016 and which remains in effect today. At the end of that policy is a Conflict of Interest Disclosure Form that is required to be submitted annually pursuant to Article V of the policy. Please review the policy and complete the Disclosure Form and return it to Greg.

Please contact Greg Barber, 130 RWSC's Secretary-Treasurer, if you have any questions.

Very truly yours,

Joseph Gysel
President – EPCOR 130 Project Inc.

Enclosure

C: Gregory Barber, Secretary-Treasurer 130 Regional Water Supply Corporation
Martin Stanek, EPCOR 130 Project Inc. Legal Counsel

CONFLICT OF INTEREST AND ETHICS POLICY

OF

130 REGIONAL WATER SUPPLY CORPORATION

A Texas Nonprofit Water Supply Corporation

ARTICLE I. INTRODUCTION AND PURPOSE

130 Regional Water Supply Corporation (the “Corporation”) requires its directors, officers, employees and volunteers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Board of Directors (the “Board”) of the Corporation, recognizing that it is entrusted with resources by and for the benefit of the members of the Corporation, has adopted this Conflict of Interest and Ethics Policy (the “Policy”). The Corporation strives to avoid conflicts of interest to ensure that it continues to operate in accordance with its nonprofit purpose. This Policy is intended to supplement but not replace any state and federal laws governing conflicts of interest applicable to nonprofit corporations.

ARTICLE II. CONFLICTS OF INTEREST

Section 1. Direct and Indirect Conflicts of Interest. Conflicts of interest can place personal interests of a director, manager, principal, officer or member of a committee with Board-delegated powers (each, an “Interested Person”) in conflict with the interests of the Corporation. Conflicts of interest may arise from personal relationships or financial interests. Conflicts can arise either directly or indirectly. A direct conflict can arise where an Interested Person has a personal or financial interest in any matter involving the Corporation, has a financial or agency relationship (i.e., is a director, officer, manager, partner, associate, trustee or has a similar agency relationship) with an entity involved in a transaction or other business with the Corporation, or has an interest in real property which may be affected by a transaction or other business of the Corporation. An indirect conflict can arise where someone related to an Interested Person by business affiliation or association, or a “Family Member” (parents, children, brothers and sisters, spouse, parents-in-law, grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren, and great-grandchildren) of the Interested Person has a personal or financial interest in any matter involving the Corporation, has a financial or agency relationship with an entity involved in a transaction or other business with the Corporation, or has an interest in real property which may be affected by a transaction or other business of the Corporation. By way of example, an Interested Person has a financial interest if such person has, directly or indirectly, through business, investment or a Family Member:

- (i) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
- (j) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement;

- (k) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
- (l) an equitable or legal ownership in real property with a fair market value of \$2,500 or more which may be affected by a transaction or arrangement of the Corporation.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

Section 2. Potential and Actual Conflicts of Interest. Acts that mix the personal or financial interests of an Interested Person with the interests of the Corporation are indicative of a conflict of interest. Not every potential conflict is an actual conflict. However, acts that even have the appearance of a conflict of interest can be damaging to the reputation of the Corporation. Consequently, the Corporation seeks to avoid actual and potential conflicts of interest, as well as the appearance of conflicts.

Section 3. Activities that May Present a Conflict of Interest. The following is a non-exclusive list of the types of activities that may present a conflict of interest and should be disclosed in accordance with Article III.

- (m) **Substantial Interest in a Business Entity.** An Interested Person has a “Substantial Interest in a Business Entity” if the Interested Person or the Interested Person’s Family Member owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity or the funds received by the Interested Person from the business entity exceed 10 percent of the person’s gross income for the previous year.
- (n) **Substantial Interest in Real Property.** An Interested Person has a “Substantial Interest in Real Property” if the Interested Person or the Interested Person’s Family Member has an equitable or legal ownership in the property with a fair market value of \$2,500 or more.
- (o) **Potentially Adverse Contracts or Transactions with the Corporation.** An Interested Person may have a conflict of interest if a contract or transaction involves the Corporation and (i) the Interested Person, the Interested Person’s Family Member, or an associate or affiliate of the Interested Person; or (ii) an entity or other organization in which the Interested Person, the Interested Person’s Family Member, or an affiliate or associate of the Interested Person has an agency or financial interest.
- (p) **Competing Interests.** Competition by an Interested Person, either directly or indirectly, with the Corporation in the purchase or sale of property or property rights, interests, or services.
- (q) **Use of Resources.** Use of the Corporation’s resources (for example, staff, contracts, member lists, or name) for personal purposes of the Interested Person or a Family Member of such person.
- (r) **Inside Information.** Disclosure or exploitation by an Interested Person of information pertaining to the Corporation’s business for the personal profit or advantage of the

Interested Person or a Family Member of such person or a person or entity with whom the Interested Person has an agency relationship.

Section 4. Disclosure. The primary obligation of any person subject to this Policy who may be involved in a conflict of interest situation is to bring it to the attention of those designated under the disclosure procedures in Article III so that the potential conflict can be evaluated and addressed. An Interested Person should not make the decision about whether a conflict of interest exists unilaterally.

ARTICLE III. PROCEDURES TO DISCLOSE AND RESOLVE CONFLICTS

Section 1. Duty to Self-Disclose.

- (g) An Interested Person shall make an appropriate disclosure of all material facts, including the existence of any financial interest, agency interest, or real property interest, at any time that any actual or potential conflict of interest or ethical question arises. This disclosure obligation includes instances in which the Interested Person plans not to attend a meeting of the Board or a Board committee with Board-delegated powers (a "Committee") at which he or she has reason to believe that the Board or Committee will act regarding a matter about which he or she may have a conflict. Depending on the circumstances, this disclosure may be made to the President or Secretary of the Corporation or, if the potential conflict of interest first arises in the context of a Board or Committee meeting, the entire Board or the members of the Committee considering the proposed transaction or arrangement that relates to the actual or potential conflict of interest or ethical question.
- (h) In addition, Interested Persons shall, in accordance with Article VI, make an annual disclosure of on-going relationships and interests that may present a conflict of interest.
- (i) Interested Persons shall execute an affidavit stating the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property before a vote or decision on any matter involving the business entity or real property is made.

Section 2. Disclosure of Conflicts of Others. If an Interested Person becomes aware of any potential conflict of interest involving another Interested Person, he or she should report it to the President, the Secretary, or another Officer of the Corporation.

Section 3. Procedures for Addressing a Conflict of Interest. Prior to voting on a contract, transaction or matter in which a conflict of interest exists, the Board or Committee will follow the procedures described in this Section 3.

- (m) If an Interested Person has a Substantial Interest in a Business Entity and an action by the Corporation on a matter will have a special economic effect on the business entity that is distinguishable from the effect on the public, the Interested Person must abstain from further participation in the matter.
- (n) If an Interested Person has a Substantial Interest in Real Property and it is reasonably foreseeable that an action by the Corporation on a matter will have a special economic effect on the value of the real property distinguishable from the effect on the public, the Interested Person must abstain from further participation in the matter.

- (o) If an Interested Person has a Substantial Interest in a Business Entity, the Board or Committee is required to take a separate vote on any budget item specifically dedicated to a contract with the business entity.
- (p) The Board or Committee may, in good faith and with ordinary care, authorize a Potentially Adverse Contract or Transaction by the affirmative vote of a majority of the disinterested directors or Committee members regardless of whether the disinterested individuals constitute a quorum. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Board or Committee.
- (q) If the Corporation's Members are entitled to vote on the item, the Members may, in good faith and with ordinary care, approve or authorize the Potentially Adverse Contract or Transaction by a vote of the Members. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Members.
- (r) A Potentially Adverse Contract or Transaction is not void or voidable if it is fair to the Corporation when it is authorized, approved, or ratified by the Board, the Committee, or the Members.

Section 4. Violations of the Conflict of Interest Policy.

- (e) If the Board has reasonable cause to believe that an Interested Person has failed to disclose an actual or potential conflict of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.
- (f) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board determines the Interested Person has failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV. COMPENSATION

Section 1. A voting member of the Board who receives compensation, directly or indirectly, from the Corporation for services provided is precluded from voting on matters pertaining to that member's compensation.

Section 2. A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services provided is precluded from voting on matters pertaining to that member's compensation.

Section 3. No voting member of the Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly from the Corporation, either individually or collectively, is prohibited from providing information to any Committee regarding compensation.

ARTICLE V. ANNUAL STATEMENTS

Each person subject to this Policy shall annually sign a statement on the conflict of interest disclosure form ("Conflict of Interest Disclosure Form," attached as **Schedule 1**) or such other form as the Board adopts, which at a minimum affirms that such person:

- (i) has received a copy of the Policy;
- (j) has read and understands the Policy;
- (k) has agreed to comply with the Policy; and
- (l) understands the Corporation is organized for nonprofit purposes, and in order to maintain its federal tax exemption the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

In addition, if a matter arises in which an Interested Person has a Substantial Interest in a Business Entity or a Substantial Interest in Real Property which could be or become a potential or actual conflict of interest, the Interested Person must execute and file with the Corporation an affidavit stating the nature and extent of the interest. Conflict of interest disclosure forms and affidavits will be submitted to the Secretary of the Corporation annually, and when appropriate, at or prior to action on relevant business transactions.

ARTICLE VII. CODE OF ETHICS

Section 1. Code of Ethics. In conducting business and activities which are connected with the Corporation, an Interested Person shall follow these guidelines:

- (q) **Ethical Conduct.** Be honest and ethical in his or her conduct, including ethical handling of actual, potential or apparent conflicts of interest between personal and professional relationships. An Interested Person should not engage in activities which have or may have the appearance of impropriety or conflict of interest, or that may call into question the actions or integrity of the Corporation, or of the Interested Person as he or she relates to the Corporation.
- (r) **Legal Compliance.** Comply with applicable laws and regulations, including the Texas Business and Organizations Code and the Texas Water Code and report his or her concerns to the appropriate person listed in Article III, Section 2, if it appears that any other director, officer, or employee of the Corporation is not complying with applicable laws or regulations with respect to the Corporation's business.
- (s) **Confidentiality.** Maintain the confidentiality of all internal information about the Corporation except when authorized or otherwise legally obligated to disclose such information.
- (t) **Fair Dealing.** Deal fairly with the Corporation's members, staff, and volunteers and with those with whom the Corporation interacts.
- (u) **Protect Assets.** Protect and ensure the proper use of the Corporation's assets, including, its name, goodwill and reputation.

- (v) **Personal Influence.** Be mindful of the interaction between his or her relationships inside and outside of the Corporation, and not allow inappropriate personal influence over the affairs of the Corporation.
- (w) **Commitments.** Do not “speak for” the Corporation or make or imply commitments by the Corporation without proper internal authorization and communication.
- (x) **Loans.** The Corporation may make loans to an employee or officer of the Corporation, if the loan or assistance may reasonably be expected to directly or indirectly benefit the Corporation. The Corporation may not make loans to a member of the Board of Directors.

SCHEDULE 1: CONFLICT OF INTEREST DISCLOSURE FORM

The undersigned, as a director, manager, principal, officer, or member of a committee with governing board-delegated powers, of **130 Regional Water Supply Corporation** (the "Corporation"), acknowledges that:

- 13. He or she has received a copy of the Corporation's Conflict of Interest Policy (the "Policy");
- 14. He or she has read and understands the Policy;
- 15. He or she has agreed to comply with the Policy;
- 16. He or she understands the Corporation is nonprofit and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes;
- 17. He or she will submit an affidavit identifying the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property, as defined in the Policy, if and when appropriate; and
- 18. The following on-going relationships and interests may present a conflict of interest: *(disclosures should address current affiliations, as well as past affiliations for the prior two years, and should include all of the following: the undersigned's employer, all corporations (nonprofit and for-profit) of which the undersigned is a board member or officer, and the names of such of the undersigned's Family Members or business affiliates or any other relationships the undersigned has which the undersigned believes may present a potential conflict)*

Name: _____

Title: _____

Signature: _____

Date: _____

EPCOR 130 PROJECT INC.
2355 W Pinnacle Peak Road
Suite 300
Phoenix, AZ 85027

April 22, 2020

Via email to rpool@epcor.com

Rebekah Pool, Director
130 Regional Water Supply Corporation

Re: 130 Regional Water Supply Corporation Director Obligations

Dear Ms. Pool:

As of the date of this letter, you are reappointed as one of EPCOR 130 Project Inc.'s representatives to serve as a director of 130 Regional Water Supply Corporation, a Texas water supply corporation ("130 RWSC"). 130 RWSC is subject to Texas' open meetings laws found in Section 551 of the Texas Government Code. You may recall from your appointment last year that Section 551.051 of that code required you, as a director of 130 RWSC, to complete open meeting training provided by the Texas Attorney General. You completed that training and are not required to complete it again. However, if you need a refresher, the training can be found at:

<https://www.texasattorneygeneral.gov/open-government/open-meetings-act-training>

In addition, this is a reminder that, as a director of 130 RWSC who has working relationships outside of 130 RWSC with some or all of the other 130 RWSC directors, it is important that you not inadvertently run afoul of the Texas Open Meeting law by conducting, or creating the appearance that you are conducting, any 130 RWSC business outside of a duly called and conducted open meeting of its Board of Directors. Please be particularly vigilant about this issue any time you find yourself at a social or business gathering or meeting at which two or more of the other 130 RWSC directors are also present as your collective presence together at that event could be construed as constituting a quorum of the 130 RWSC directors. The Texas Open Meeting Law, at section 551.001(4), in the definition of "Meeting", provides the following guidance on this topic:

The term [Meeting] does not include the gathering of a quorum of a governmental body [i.e., the 130 RWSC Board of Directors] at a social function unrelated to the public business that is conducted by the body, the attendance by a quorum of a governmental body at a regional, state, or national convention or workshop, ceremonial event, or press conference, or the attendance by a quorum of a governmental body at a candidate forum, appearance, or debate to inform the electorate, ***if formal action is not taken and any discussion of public business is incidental*** [emphasis added] to the social function, convention, workshop, ceremonial event, press conference, forum, appearance, or debate.

Finally, enclosed with this letter is a copy of the Conflict of Interest and Ethics Policy of 130 RWSC that was adopted by its Board of Directors in 2016 and which remains in effect today. At the end of that policy is a Conflict of Interest Disclosure Form that is required to be submitted annually pursuant to Article V of the policy. Please review the policy and complete the Disclosure Form and return it to Greg.

Please contact Greg Barber, 130 RWSC's Secretary-Treasurer, if you have any questions.

Very truly yours,

Joseph Gysel
President – EPCOR 130 Project Inc.

Enclosure

C: Gregory Barber, Secretary-Treasurer 130 Regional Water Supply Corporation
Martin Stanek, EPCOR 130 Project Inc. Legal Counsel

CONFLICT OF INTEREST AND ETHICS POLICY

OF

130 REGIONAL WATER SUPPLY CORPORATION

A Texas Nonprofit Water Supply Corporation

ARTICLE I. INTRODUCTION AND PURPOSE

130 Regional Water Supply Corporation (the “Corporation”) requires its directors, officers, employees and volunteers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Board of Directors (the “Board”) of the Corporation, recognizing that it is entrusted with resources by and for the benefit of the members of the Corporation, has adopted this Conflict of Interest and Ethics Policy (the “Policy”). The Corporation strives to avoid conflicts of interest to ensure that it continues to operate in accordance with its nonprofit purpose. This Policy is intended to supplement but not replace any state and federal laws governing conflicts of interest applicable to nonprofit corporations.

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- (m) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
- (n) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement;

- (o) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement; or
- (p) an equitable or legal ownership in real property with a fair market value of \$2,500 or more which may be affected by a transaction or arrangement of the Corporation.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

Section 2. Potential and Actual Conflicts of Interest. Acts that mix the personal or financial interests of an Interested Person with the interests of the Corporation are indicative of a conflict of interest. Not every potential conflict is an actual conflict. However, acts that even have the appearance of a conflict of interest can be damaging to the reputation of the Corporation. Consequently, the Corporation seeks to avoid actual and potential conflicts of interest, as well as the appearance of conflicts.

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- (s) **Substantial Interest in a Business Entity.** An Interested Person has a “Substantial Interest in a Business Entity” if the Interested Person or the Interested Person’s Family Member owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity or the funds received by the Interested Person from the business entity exceed 10 percent of the person’s gross income for the previous year.
- (t) **Substantial Interest in Real Property.** An Interested Person has a “Substantial Interest in Real Property” if the Interested Person or the Interested Person’s Family Member has an equitable or legal ownership in the property with a fair market value of \$2,500 or more.
- (u) **Potentially Adverse Contracts or Transactions with the Corporation.** An Interested Person may have a conflict of interest if a contract or transaction involves the Corporation and (i) the Interested Person, the Interested Person’s Family Member, or an associate or affiliate of the Interested Person; or (ii) an entity or other organization in which the Interested Person, the Interested Person’s Family Member, or an affiliate or associate of the Interested Person has an agency or financial interest.
- (v) **Competing Interests.** Competition by an Interested Person, either directly or indirectly, with the Corporation in the purchase or sale of property or property rights, interests, or services.
- (w) **Use of Resources.** Use of the Corporation’s resources (for example, staff, contracts, member lists, or name) for personal purposes of the Interested Person or a Family Member of such person.
- (x) **Inside Information.** Disclosure or exploitation by an Interested Person of information pertaining to the Corporation’s business for the personal profit or advantage of the

Interested Person or a Family Member of such person or a person or entity with whom the Interested Person has an agency relationship.

Section 4. Disclosure. The primary obligation of any person subject to this Policy who may be involved in a conflict of interest situation is to bring it to the attention of those designated under the disclosure procedures in Article III so that the potential conflict can be evaluated and addressed. An Interested Person should not make the decision about whether a conflict of interest exists unilaterally.

ARTICLE III. PROCEDURES TO DISCLOSE AND RESOLVE CONFLICTS

Section 1. Duty to Self-Disclose.

- (j) An Interested Person shall make an appropriate disclosure of all material facts, including the existence of any financial interest, agency interest, or real property interest, at any time that any actual or potential conflict of interest or ethical question arises. This disclosure obligation includes instances in which the Interested Person plans not to attend a meeting of the Board or a Board committee with Board-delegated powers (a "Committee") at which he or she has reason to believe that the Board or Committee will act regarding a matter about which he or she may have a conflict. Depending on the circumstances, this disclosure may be made to the President or Secretary of the Corporation or, if the potential conflict of interest first arises in the context of a Board or Committee meeting, the entire Board or the members of the Committee considering the proposed transaction or arrangement that relates to the actual or potential conflict of interest or ethical question.
- (k) In addition, Interested Persons shall, in accordance with Article VI, make an annual disclosure of on-going relationships and interests that may present a conflict of interest.
- (l) Interested Persons shall execute an affidavit stating the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property before a vote or decision on any matter involving the business entity or real property is made.

Section 2. Disclosure of Conflicts of Others. If an Interested Person becomes aware of any potential conflict of interest involving another Interested Person, he or she should report it to the President, the Secretary, or another Officer of the Corporation.

Section 3. Procedures for Addressing a Conflict of Interest. Prior to voting on a contract, transaction or matter in which a conflict of interest exists, the Board or Committee will follow the procedures described in this Section 3.

- (s) If an Interested Person has a Substantial Interest in a Business Entity and an action by the Corporation on a matter will have a special economic effect on the business entity that is distinguishable from the effect on the public, the Interested Person must abstain from further participation in the matter.
- (t) If an Interested Person has a Substantial Interest in Real Property and it is reasonably foreseeable that an action by the Corporation on a matter will have a special economic effect on the value of the real property distinguishable from the effect on the public, the Interested Person must abstain from further participation in the matter.

- (u) If an Interested Person has a Substantial Interest in a Business Entity, the Board or Committee is required to take a separate vote on any budget item specifically dedicated to a contract with the business entity.
- (v) The Board or Committee may, in good faith and with ordinary care, authorize a Potentially Adverse Contract or Transaction by the affirmative vote of a majority of the disinterested directors or Committee members regardless of whether the disinterested individuals constitute a quorum. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Board or Committee.
- (w) If the Corporation's Members are entitled to vote on the item, the Members may, in good faith and with ordinary care, approve or authorize the Potentially Adverse Contract or Transaction by a vote of the Members. If this is met, the Interested Person may be present at or participate in and may vote at a meeting of the Members.
- (x) A Potentially Adverse Contract or Transaction is not void or voidable if it is fair to the Corporation when it is authorized, approved, or ratified by the Board, the Committee, or the Members.

Section 4. Violations of the Conflict of Interest Policy.

- (g) If the Board has reasonable cause to believe that an Interested Person has failed to disclose an actual or potential conflict of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.
- (h) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board determines the Interested Person has failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV. COMPENSATION

Section 1. A voting member of the Board who receives compensation, directly or indirectly, from the Corporation for services provided is precluded from voting on matters pertaining to that member's compensation.

Section 2. A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services provided is precluded from voting on matters pertaining to that member's compensation.

Section 3. No voting member of the Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly from the Corporation, either individually or collectively, is prohibited from providing information to any Committee regarding compensation.

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Each person subject to this Policy shall annually sign a statement on the conflict of interest disclosure form ("Conflict of Interest Disclosure Form," attached as **Schedule 1**) or such other form as the Board adopts, which at a minimum affirms that such person:

- (m) has received a copy of the Policy;
- (n) has read and understands the Policy;
- (o) has agreed to comply with the Policy; and
- (p) understands the Corporation is organized for nonprofit purposes, and in order to maintain its federal tax exemption the Corporation must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

In addition, if a matter arises in which an Interested Person has a Substantial Interest in a Business Entity or a Substantial Interest in Real Property which could be or become a potential or actual conflict of interest, the Interested Person must execute and file with the Corporation an affidavit stating the nature and extent of the interest. Conflict of interest disclosure forms and affidavits will be submitted to the Secretary of the Corporation annually, and when appropriate, at or prior to action on relevant business transactions.

ARTICLE VII. CODE OF ETHICS

Section 1. Code of Ethics. In conducting business and activities which are connected with the Corporation, an Interested Person shall follow these guidelines:

- (y) **Ethical Conduct.** Be honest and ethical in his or her conduct, including ethical handling of actual, potential or apparent conflicts of interest between personal and professional relationships. An Interested Person should not engage in activities which have or may have the appearance of impropriety or conflict of interest, or that may call into question the actions or integrity of the Corporation, or of the Interested Person as he or she relates to the Corporation.
- (z) **Legal Compliance.** Comply with applicable laws and regulations, including the Texas Business and Organizations Code and the Texas Water Code and report his or her concerns to the appropriate person listed in Article III, Section 2, if it appears that any other director, officer, or employee of the Corporation is not complying with applicable laws or regulations with respect to the Corporation's business.
- (aa) **Confidentiality.** Maintain the confidentiality of all internal information about the Corporation except when authorized or otherwise legally obligated to disclose such information.
- (bb) **Fair Dealing.** Deal fairly with the Corporation's members, staff, and volunteers and with those with whom the Corporation interacts.
- (cc) **Protect Assets.** Protect and ensure the proper use of the Corporation's assets, including, its name, goodwill and reputation.

- (dd) **Personal Influence.** Be mindful of the interaction between his or her relationships inside and outside of the Corporation, and not allow inappropriate personal influence over the affairs of the Corporation.
- (ee) **Commitments.** Do not “speak for” the Corporation or make or imply commitments by the Corporation without proper internal authorization and communication.
- (ff) **Loans.** The Corporation may make loans to an employee or officer of the Corporation, if the loan or assistance may reasonably be expected to directly or indirectly benefit the Corporation. The Corporation may not make loans to a member of the Board of Directors.

SCHEDULE 1: CONFLICT OF INTEREST DISCLOSURE FORM

The undersigned, as a director, manager, principal, officer, or member of a committee with governing board-delegated powers, of **130 Regional Water Supply Corporation** (the "Corporation"), acknowledges that:

- 19. He or she has received a copy of the Corporation's Conflict of Interest Policy (the "Policy");
- 20. He or she has read and understands the Policy;
- 21. He or she has agreed to comply with the Policy;
- 22. He or she understands the Corporation is nonprofit and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes;
- 23. He or she will submit an affidavit identifying the nature and extent of any Substantial Interest in a Business Entity or Substantial Interest in Real Property, as defined in the Policy, if and when appropriate; and
- 24. The following on-going relationships and interests may present a conflict of interest: *(disclosures should address current affiliations, as well as past affiliations for the prior two years, and should include all of the following: the undersigned's employer, all corporations (nonprofit and for-profit) of which the undersigned is a board member or officer, and the names of such of the undersigned's Family Members or business affiliates or any other relationships the undersigned has which the undersigned believes may present a potential conflict)*

Name: _____

Title: _____

Signature: _____

Date: _____