

# ***CONFLICT OF INTEREST POLICY FOR KEMPNER WATER SUPPLY CORPORATION***

The presence of a conflict of interest disqualifies any member holding a position on the KWSC Board. Failure to notify the Corporation of a conflict-of-interest grounds for a director's rejection or removal from serving as a member of the Board of Directors. If:

- He or she is a developer or affiliated with a developer of property within the service area of the Corporation.
- He or she is an employee or an immediate family member, or shareholder of any developer of property within the service area of the Corporation.
- He or she is an employee or immediate family member of any director, manager, engineer, or in any business owned or managed by another director.
- He or she serves as a consultant, engineer, attorney, manager, or in any other professional capacity for the corporation or for a developer of property within the service area of the Corporation.
- He or she is a party to a contract with the Corporation, except a contract for the purchase of water/sewer services furnished by the Corporation to the Corporation's members generally.
- He or she is a party to a contract with any developer of property within the service area of the Corporation, other than merely conveying real property within the service area of the Corporation for the purpose of establishing a residence or establishing a commercial business within the service area of the Corporation.
- He or she is a member of the immediate family of any other director of the Corporation or of any other person serving the Corporation in a managerial or in a professional service capacity, such as attorney, accountant, or an engineer, on behalf of the Corporation, or he or she serves as a director or as an officer for any bank or savings and loan association retained as a depository for the funds of the Corporation, or any bank or savings and loan association which lends to or holds any indebtedness of the Corporation. "Immediate family" includes spouses, parents, children and their spouses, grandchildren and their spouses, stepparents, brothers and sisters and their spouses.

As used in this policy, the term "developer" of property within the service area of the Corporation" refers to any person or other entity who owns or controls land in the process of being developed for residential or commercial/industrial purposes requiring water/sewer service located within an area served by the Corporation or obligated to be served by the Corporation under a Certificate of Convenience and Necessity (CCN).

Any relationship or employment which constitutes a disqualification, as set forth herein, shall be considered grounds for a director's rejection or removal, or for termination of an employee's employment. Such rejection, removal or termination may take place at any regular or special meetings of the Board.

No officer or director of the Corporation shall be entitled to any compensation for or in consideration of the execution of his or her duties as an officer or director, provided, however, that the actual, reasonable expenses of any officer or director incurred in the business of the Corporation may, with approval of the Board, be paid to them.

No officer or director of the Corporation shall,

- Solicit or accept or agree to accept any appointments or any financial and/or material benefit that might reasonably tend to influence his or her performance of duties for the Corporation or that he or she knows or should know is offered with the intent to influence the performance of his or her duties.
- Accept employment, appointments or compensation that might reasonably induce him or her to disclose confidential information acquired in the performance of official duties.
- Solicit, accept, or agree to accept any loan from the Corporation.
- Solicit or accept or agree to accept a financial benefit from another person or entity in exchange for having performed duties as an officer or director of the Corporation in favor of the other person or entity.

The Board may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general use or for any special purpose of the Corporation, provided, however, that the Board may reject any such contribution, gift, bequest, or devise made upon a condition or restriction if in the discretion of the Board the acceptance as so conditioned or restricted will not be in the best interest of the Corporation.

The removal of any director of the Corporation because of disqualification under this policy shall not affect the validity of any action taken by the Corporation, through its Board during the time of service by that director, even though the director may have been acting under the disqualification at the time of such service, unless there has been an improper benefit conferred on the disqualified director or someone associated with such director, in which case the Board may terminate any such benefit in any legal manner.

If at any time any officer or director is required to vote in his or her capacity as a director or officer on any issue which may create a conflict of interest, which may be deemed a conflict of interest by the Board, or which is likely to be interpreted by the members as a conflict of interest, the officer or director shall advise the President of the conflict of interest (or in the case of the President, advise the Vice-President) and shall abstain from discussion and voting, as a matter of record, on that issue.

Violation of rules result in sanction and or removal from KWSC board of directors.