Board of Directors
Board committees

3. Conflict of Interest Policy

Purpose and Policy

The purpose of the conflict of interest policy is to protect the organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a staff member, a Board Member or officer of the organization, or might benefit the interest of another entity to which such staff member, Board Member or officer has a fiduciary obligation. This policy is intended to supplement, but not replace, any applicable state laws governing conflict of interest applicable to nonprofit and charitable corporations.

Each staff member, officer and Board Member has a duty to place the interests of BEF foremost in any dealings with BEF and has a continuing responsibility to comply with the terms of this policy. No staff member, officer or Board Member shall use his or her position with BEF, or the knowledge gained from that position, in a way that results in a conflict or appearance of a conflict between the interests of BEF and his or her personal or other interests or obligations.

New Board members will sign the conflict of interest policy and disclosure form and update this information at the request of staff.

Definitions

Interested Person:
Any Board Member or officer who has a direct or indirect material financial interest, as defined below, is an interested person. If a person is an interested person with respect to any single entity within the organization's control, he or she is an interested person with respect to all entities.

Material Financial Interest:
A person has a material financial interest if the person has, directly or indirectly, through business, investment, or immediate family:

- an ownership or investment interest in, or fiduciary obligation to, any entity with which the organization has a transaction or arrangement, except that a de minimus ownership or investment interest (<5% of net worth, or <5% ownership interest, or incidental ownership through a stock mutual fund) will not constitute a material financial interest;

- a compensation arrangement with any entity or individual with which the organization has a transaction or arrangement, except that a compensated position that does not involve control or direction of the entity, or senior

management authority and commensurate compensation in the entity will not constitute a material financial interest; or

- an anticipated ownership or investment interest in, or fiduciary obligation to, or compensation arrangement with, any entity or individual with which the organization is negotiating a transaction or arrangement, with the same de minimus exceptions for ownership or investment interest, and with the same non-control and authority exceptions for compensation arrangements.

- a business relationship with any other officer, director, trustee or key employee of the organization, defined as

  a) One person being employed by the other in a sole proprietorship, or by an organization in which the other person is a trustee, director, officer, key employee or greater than 35% owner.
  b) One person transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of $10,000 in the aggregate during the organization's tax year (indirect transactions are the transactions with an organization with which the one person is associated as a trustee, director, officer, key employee, or greater than 35% owner); or
  c) The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity.

- a family relationship with any other officer, director, trustee or key employee of the organization, defined as: spouse, children, sister, brother, parent, grandparent or any spouse of the foregoing.

- any business transactions with the organization, either directly or indirectly through an organization with which you or a family member is a board member, trustee, director or owner.

Notwithstanding the above, for an employee of the Bonneville Power Administration (BPA) who is a member or ex officio member of the BEF Board, such employee's fiduciary responsibility to, compensation arrangements with, control or direction of, or senior management authority in BPA is deemed to not constitute a material financial interest that could give rise to a conflict of interest governed by this policy.

Compensation: Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. A de minimus financial interest shall not constitute a material conflict of interest.

Excess Benefits Transactions
Under no circumstances will the Board or Chief Executive Officer authorize or permit to occur an excess benefit transaction between BEF and an interested person or

other disqualified person. An "excess benefit transaction" is one in which the economic benefit an organization provides is greater than the value of the consideration (including performance of services) it receives. A "disqualified person" is anyone who is in a position to exercise substantial influence over the organization's affairs.

Procedures

In connection with any actual or possible material conflict of interest in any transaction or arrangement before the Board or any Board committee (hereinafter "Board"), a Board Member or Officer (hereinafter, "Member") who may be an interested person must fully disclose the existence and nature of his or her financial interest to the Board in the course of its consideration of the proposed transaction or arrangement. Such person may then elect to recuse himself or herself from any deliberations or decision making regarding the matter in question.

Alternately, the Board must make such a determination. After disclosure is made, the person making such disclosure shall leave the meeting while the financial interest is discussed and voted upon. The remaining Members who are disinterested persons shall decide by majority vote if a material conflict of interest exists.

If the Board determines that *a material conflict of interest does not exist*, the Member making such disclosure may return to the meeting and participate fully in the deliberations and decision making on the matter.

If the Board determines that *a material conflict of interest does exist*, the Member who is the interested person may be present for but not participate in the presentation and discussion of the proposed transaction or arrangement. The interested person may not be present for, or participate in, or vote on, or seek to influence another's vote on the Board proceeding in question once a motion with respect to the transaction or arrangement has been made.

The Board shall determine by a majority vote of the disinterested Members whether the transaction or arrangement is in the organization's best interest and for its own benefit, whether the transaction is fair and reasonable to the organization, and whether it is prohibited as an excess benefit transaction, and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination. In making its determination, the Board may consider whether the organization, with a reasonable level of effort, could obtain an outcome with respect to the transaction or arrangement in question that was equally or more advantageous to the organization and that would not give rise to a material conflict of interest. In the event, the Board will document in the minutes of its proceedings its findings and conclusions with respect to each of these determinations.

Violations of the Conflict of Interest Policy

If the Board has reasonable cause to believe that a Member has failed to disclose actual or possible material conflict of interest, it shall inform the Member of the basis for such belief and afford the Member an opportunity to explain the alleged failure to disclose.

If, after hearing the response of the Member and making such further investigation as may be warranted in the circumstances, the Board determines that the Member has in fact failed to disclose an actual or possible material conflict of interest, it shall take appropriate disciplinary and corrective action including, if warranted, dismissal from the Board.

Records of Proceedings

The minutes of the Board shall contain:

- the names of the Members who disclosed or were otherwise found to have a material financial interest in connection with an actual or possible material conflict of interest, the nature of the financial interests, any action taken to determine whether a material conflict of interest was present, and the Board's decision as to whether a material conflict of interest in fact existed.

- the names of Members present for discussion and/or votes relating to the transaction or arrangement; the content of these discussions, including any alternatives to the proposed transaction or arrangement; and a record of any votes taken in connection therewith.

Compensation Committees
A voting Member of the Board or any Board committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to the Member's compensation, except that the full Board will determine, in a manner consistent with the fiduciary obligations of its Members, the appropriate level of fees for Board service.

Statements
Each Member or Officer shall, upon joining the Board or BEF, sign a statement which affirms that such person:

- has received a copy of the conflict of interest policy
- has read and understands the policy
- has agreed to comply with the policy
- understands that the policy applies to all committees and subcommittees having Board-delegated powers; and
- understands that the organization is a charitable organization that must engage primarily in activities that accomplish one or more of its tax-exempt purposes to maintain its exempt status.

4. Fiscal Management Standards and Policies

Fiscal Year
BEF'S fiscal year is defined as April 1 through March 31.

Generally Accepted Accounting Principles
Except when noted, BEF follows generally accepted accounting principles for not-for-profit organizations.

Accrual Accounting
BEF utilizes the accrual basis of accounting in which revenues are recorded in the period in which they are earned and expenses are recorded in the period in which they are incurred regardless of when cash is received or disbursed. Income from restricted grants and donations is recorded in the period in which the restrictions have been met through proper expenditure of the funds and/or the required services have been provided.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent