

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION
GRAYSON, KENTUCKY

COPY

BOARD POLICY NO. 124

SUBJECT: ETHICS AND CONFLICT OF INTEREST POLICY

I. OBJECTIVE

To establish a procedure governing ethics and conflict of interest as they affect Cooperative Directors.

II. POLICY

A. General

The Cooperative is founded upon the integrity of its employees and directors. Working for the Cooperative is a highly visible job, and since the Cooperative is judged to a great extent on the actions of its employees and Directors, the Cooperative expects that each employee's and director's conduct should at all times reflect favorably on the organization.

Each director is expected to base all decisions on the best interest of the Cooperative. So that all decisions may be viewed as being arrived at objectively, directors should avoid all situations where a conflict of interest or even an appearance of conflict of interest exists. Generally, a conflict of interest may be said to exist when a director has a divided loyalty, which affects the director's performance or judgment. The director must be free from actual or potential influence of personal considerations or relationships when dealing for the Cooperative with others.

This policy does not purport to cover every situation that may create a conflict of interest. It is expected that good business judgment and common sense will guide each director's actions.

The Cooperative's policy is to comply with all laws and regulations applicable to its business. Where the laws and regulations are ambiguous, management will seek a legal interpretation to ensure proper compliance.

Any director who violates the Cooperative's code of ethics is subject to appropriate disciplinary action, up to and including possible discharge.

B. Disclosure

A director must disclose to the entire Board of Directors any situation or transaction in which the director is involved which violates, may violate, or could appear to violate the intent of this policy. The Board of Directors, in coordination with legal counsel, shall determine what action should be taken and will so advise the affected director as soon as possible.

C. Financial Interests in Outside Organizations

A director in a position to influence decisions who has (or who has a close relative or household member who has) an interest, direct or indirect, in any business transaction or proposed business transaction in which the Cooperative is or may be a party, must disclose the interest to the Board of Directors as soon as the director has knowledge of such interest. The Board should then follow the above procedure on disclosure. "Direct or indirect interest" is defined as any firm, corporation, or other entity in which the director holds an equity interest or serves as an officer, director, or agent. An equity interest of less than 1 percent in publicly-held companies need not be considered. A "position of influence" is construed to include not only those situations where the employee purchases equipment or materials or assets for the Cooperative, but also includes any director who establishes specifications for, recommends, evaluates, tests, or approves a supplier's product or contractor's service, or who participates in the selection of, or arrangements with a supplier of contractor or who is exposed to information which may be of value to a potential contractor, bidder or supplier.

D. Other Interests or Employment in Outside Organizations

Apart from financial interests, other relationships must be avoided which can cause a director to be interested in the success of another organization and thereby compromise his/her loyalty to the Cooperative.

A director shall not be employed by, or perform any services for, any competitor or supplier of the Cooperative, whether or not he/she receives any compensation, nor shall the director be otherwise employed or render services if the relationship might jeopardize the interests of the Cooperative or adversely affect the reputation of the Cooperative or might interfere with the director's work schedule or productivity.

E. Confidential and Proprietary Information

Information obtained in the course of employment is to be kept confidential unless and until the information is or becomes available publicly through other channels. A director having access to Cooperative information on procurement including, but not limited to bids, awarding of contracts, or other information of a competitive nature, real estate transactions, personnel records, salary information or any other matter is prohibited from using that information for personal benefit or to adversely affect the best interests of the Cooperative.

For example, a director who gains advance information concerning contract bid prices may not use this information to assist a contractor in preparing a contract bid. This action would be unethical since it would result in allowing a contractor a competitive advantage.

F. Gifts from Suppliers, Contractors and Consultants

No director shall solicit any gratuities, discounts, compensation or gifts from any supplier or potential supplier or consultant.

G. Records, Reports, and Company Funds

Payroll records, invoices, and many other Cooperative records are just as important as Cooperative funds. Each director who is involved in the handling of Cooperative money or records should know and follow procedures for the protection of funds and for assuring that they are credited or charged to proper accounts. Removing, destroying, falsifying, or failing to prepare such records is considered to be misappropriation of Cooperative funds or property.

An employee required to approve invoices or expend Cooperative funds is responsible for ensuring that the invoices are valid and that they relate to services or merchandise for the Cooperative.

H. Use of Cooperative Property

Tools, supplies, vehicles and all other equipment are for Cooperative use only, unless specifically authorized by management. Cooperative staff and equipment are not to be used for personal benefit.

Protection of company equipment against loss, theft, damage, and vandalism is the responsibility of all Cooperative directors. Cooperative property and equipment are not to be sold, loaned, given away or otherwise disposed of, regardless of condition or value, except with proper authorization.

I. The Application of This Procedure

This procedure is not meant to infringe upon an individual's rights established and protected by law. All directors may participate in outside financial, business or other activities so long as such outside activities do not impair the performance of their duties and do not improperly make use of the Cooperative's assets or the Cooperative's position in the community or adversely affect the Cooperative's competitive interests and transactions.

Each situation must be considered and resolved on its own facts and questions may arise on the application of this procedure to individual situations. A director who believes that the application of this procedure would be inappropriate or detrimental to the Cooperative in a particular circumstance can request that an exception be made.

III. Responsibility For Enforcement

A. Director Responsibility

Each director is responsible for ensuring that the director's actions and behavior are in accordance with this policy and of disclosing any possible conflict of interest. Any willful violation will result in disciplinary action, up to and including discharge and reimbursement to the Cooperative of any loss attributable to such action.

B. Board of Directors Responsibility

The Board of Directors is responsible for making every effort to see that this policy is understood by and followed by each director. The Board of Directors and Legal Counsel shall make decisions on the ultimate application of this policy consistently with the best interests of the Cooperative.

The Board of Directors shall be responsible for periodic review of this policy and modifications to it.



Roger L. Trent, Chairman



Bill E. (Eddie) Martin, Secretary/Treasurer

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Minute Book Page: 4396

COPY

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION
GRAYSON, KENTUCKY

BOARD POLICY NO. 113

SUBJECT: CONFLICT OF INTEREST

I. OBJECTIVE

To spell out those areas where the Directors and employees of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION should avoid conflicts of interest, or any appearance of conflict of interest, so that the affairs of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION will always be carried out in a business like and ethical manner.

II. CONTENT

- A. Directors and employees are prohibited from receiving gifts, fees, loans, or favors from suppliers, contractors, consultants, or financial houses, which obligates or induces them to compromise their responsibilities to negotiate, obligate, inspect or audit, or award contracts, without the best interests of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION uppermost in mind. This does not prohibit receiving gifts or favors of nominal value or casual entertainment which meets all standards of ethical business conduct, and involves no element of concealment.
- B. The complete confidentiality of business information must be respected at all times. Directors and employees are prohibited from knowingly disclosing such information to those who do not have the need to know, or whose interest may be adverse to GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION both inside or outside the organization; or in any way using such information for personal gain or advancement; or to the detriment of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION; or to individually conduct negotiations or make contacts or inquiries on behalf of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION unless officially designated to do so.
- C. Directors and employees are prohibited from acquiring or having a financial interest in any property which GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION acquires or a direct or indirect financial interest in a supplier, contractor, consultant, or other entity with which GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION does business. This does not prohibit the ownership of securities in a publicly owned company except in a substantial amount by those in a position to materially influence or affect the business relationship between GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and such publicly owned company. Any other interest in or relationship with an outside organization or individual having business dealings with GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION is prohibited if this interest or relationship might tend to impair the ability of the Directors to serve the best interests of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION.

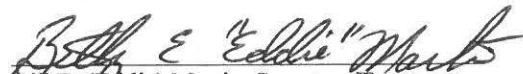
If members of the immediate family of a Director or employee have a financial interest as specified above, such interest shall be fully disclosed to the Board of Directors which shall decide if such interest should prevent GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION from entering into a particular transaction, purchase or employment of services. The term "immediate family" means children and their spouses,, husband, wife, sister, brother, parents, foster, or step-parents, grandparents, aunts, uncles, mother or father-in-law, sister or brother-in-law, or any relative residing in the GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S Directors' or employees' households.

- D. Every Director of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION shall make every reasonable effort to comply with the letter and spirit of this policy.

The Planning and Review Committee of the Board is responsible for reviewing all policy interpretations or violations. Decisions considered inconsistent with these policies are to be reported to the entire Board.

Each Director and employee must disclose any situation which in their opinion, violates, may violate, or could appear to violate the intent of this policy, immediately as the situation occurs.


Roger L. Trent, Chairman


Bill E. (Eddie) Martin, Secretary/Treasurer

Adopted: 02/21/86
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GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 126

SUBJECT: DIRECTORS AND EMPLOYEES
CONFIDENTIALITY AND NON DISCLOSURE AGREEMENT

COPY

I. OBJECTIVE

In recognition of a compelling need for confidentiality, all Directors and Employees shall acknowledge the position of special trust and confidence that access to Cooperative information and operations affords them. This shall be a condition of Board service and employment, and shall be recognized and signed prior to the commencement of either.

II. CONTENT

1. All Directors and Employees, or anyone operating on their behalf will not disclose or use, in any manner, any confidential or proprietary information or material held by the Cooperative. Exception shall be made as follows:
 - a. as required to do so in order to conduct the business of the Cooperative in its ordinary course of business,
 - b. expressly authorized to do so by the Company, in writing, or by Board Policy,
 - c. expressly ordered to do so by a court of law.
2. All Directors and Employees agree, upon ending their association with the Cooperative, to deliver promptly to the Cooperative all documentary and other materials related to the Cooperative, and all copies and electronic or photocopies thereof, within his/her custody or control and within the custody/control of anyone operating on his/her behalf produced or obtained in the course of his/her employment, contract or election, or in the course of discussions with Cooperative personnel.
3. Directors and Employees further agree that, if any person or entity requests, subpoenas, or otherwise attempts to obtain confidential or proprietary information or materials relating to the Cooperative within his/her custody or control, or within the custody or control of anyone operating on his/her behalf, he/she shall notify the Cooperative immediately and will cooperate fully in any legal action by the Cooperative seeking protection against disclosure, on the understanding that the Cooperative will bear reasonable costs of attorney's fees and expenses incurred by him/her in connection with the action. Confidential or proprietary information will be dispensed solely by the Cooperative, in accordance with existing policy and upon the advice of Cooperative Legal Counsel.
4. The undersigned further agrees to and hereby does assign to the Cooperative, all right, title, and interest in any royalty or remuneration or anything else of value, that he/she or any operating on his/her behalf may acquire as a result of any disclosure or use of information or material in breach of this agreement. This assignment does not limit any other remedy to which the Cooperative may be entitled.

III. EXPLANATION OF TERMS AS USED IN THIS AGREEMENT

1. The term "confidential and proprietary information or material" means all information or material that is not in the public domain and that is disclosed or otherwise made available by the Cooperative to Directors and Employees; or that comes to the attention of Directors and Employees in the course of his/her employment or Director's duties with the Cooperative; and specifically includes, but is not limited to:
 - a. The nature of discussions or other communications between he/she and the Cooperative with regard to an employment or contract agreement, and

- b. The Cooperative's organization, finances, financial structure, and financial condition; assets and liabilities; Directors, Officers, Employees, Members; and
- c. The Cooperative's operations, interests, and plans (including, among other matters, information material concerning business practices and procedures, competitive position, trade secrets, product concepts, designs, blueprints, plots and drawings; research and test results, practical and theoretical knowledge and techniques; production capacity and equipment; product development plans; technical, manufacturing, marketing, distribution, and pricing approaches; material sources and costs; land acquisitions and development plans and costs, building acquisitions and renovation plans and costs, and resale or other disposition plans and prices; financing plans, arrangements, and activities; and customers and clients; and
- d. The Cooperative's ability to provide protection, or its efforts to provide protection against unlawful activities directed against the Cooperative's assets or against its Directors, Officers and Employees.
- e. The term "anyone operating on his/her behalf" means any person or entity subject to his/her supervision (including any associate, employee, contractor, agent or representative of the Director or Employee who is not an employee of the Cooperative but who may have access to confidential or proprietary information relating to the Cooperative.

IV. EFFECT OF BREACH

Each Director and Employee realizes that a breach of this Agreement would cause substantial harm to the operations, business and goodwill of the Cooperative.

V. REMEDIES

Directors and Employees shall be made aware of this policy and shall acknowledge same by signing and dating a copy of this policy. Penalty for breach of this agreement can result in disciplinary action, up to and including termination of employment or expulsion from the Board (By action of the Board, upon the advice of Legal Counsel. The Cooperative may obtain preliminary and permanent court injunctions to stop the breach, and may also sue to recover from the Employee or Director an amount equal to the damages caused by the breach and the revenues he/she or anyone operating on his/her behalf derived from the breach, together with all costs and expenses, including attorney's fees, incurred by the Cooperative in taking such actions. If the Cooperative formally initiates the legal action but is unsuccessful in obtaining legal relief for an alleged breach of this agreement by the Director or Employee, then he or she shall be entitled to recover costs and expenses incurred in the defense of such action, including his/her reasonable attorney's fees.

VI. SCOPE

All Employees and Directors must be aware of and adhere strictly to this policy. Directors and Staff or certain employees may be required to sign a code of Confidentiality for other Cooperative related organizations, upon advice of Cooperative Legal Counsel.

VII. RESPONSIBILITY

It shall be the duty of the Cooperative's Legal Counsel to insure that the provisions of this policy are not taken lightly and are carried out in accordance with state and federal law. It shall be the duty of all Directors and Employees to alert the President and CEO and/or Legal Counsel if a breach of this policy is suspected.

Roger Trent, Chairman

Billy E. (Eddie) Martin, Secretary/Treasurer

Date Adopted: 08/26/11
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