

HIGHLAND RIM ECONOMIC CORPORATION

CODE OF CONDUCT

Highland Rim Economic Corporation (HREC) is committed to maintaining the highest level of integrity and the highest standards of ethical conduct in all of its activities and dealings. It is important for HREC Directors, Officers, Policy Council members, and employees to be aware that both real and apparent conflicts of interest or dualities of interest sometimes occur in the course of conducting the affairs of the organization and that the appearance of conflict can be troublesome even though there is in fact no legal conflict of interest.

Conflicts occur because the many persons associated with HREC should be expected to have, and do in fact generally have, multiple interests and affiliations and various positions of responsibility within the community. In these situations, a person will sometimes owe identical duties of loyalty to two or more organizations. Conflicts are undesirable because they potentially place the interests of others ahead of HREC's obligations to the public interest. Conflicts are also undesirable because they often reflect adversely upon the person involved and upon the institutions with which they are affiliated, regardless of the actual facts or motivations of the parties.

The purpose of the Code of Conduct is to provide guidance to HREC's Directors, Officers, Policy Council members, and employees so the Agency can maintain the highest level of integrity and the highest standards of ethical conduct. Each Director, Officer, Policy Council member, and employee of HREC is urged to review carefully this Code of Conduct and make every effort to adhere to it. Certain provisions of this Code of Conduct, as indicated, apply only to Directors, Officers, Policy Council members, and employees.

I. Gifts to Directors, Officers, Policy Council Members, and Employees

The acceptance by any Director, Officer, Policy Council member, or employee of money, services, or any other thing of value offered by a representative, person, or entity which (1) does business with HREC (or any person or entity which potentially could do business with HREC) or (2) has applied for a grant or potentially could apply for an upcoming grant from HREC is prohibited. The offer of any such benefit must be reported immediately to the Board Chair for Directors and Officers and to the Executive Director or Director of Finance for Policy Council members and employees. Notwithstanding the forgoing, it is understood that a Director, Officer, Policy Council member, or employee of HREC may receive unsolicited gifts of modest value from persons doing business with HREC, such as Christmas gifts of modest value not to exceed \$50. If the value of a gift exceeds \$50, the gift must be returned to the donor. If the gift is not easily returned, the gift shall be donated to a local charitable agency or organization in the name of the donor. Said donor shall be notified of such, as well as, notified of HREC's gift prohibition policy. It is also expressly understood that this policy does not preclude business meals or nominal entertainment on an infrequent basis.

II. Confidentiality of Information

HREC's Directors, Officers, Policy Council members, and employees owe a duty of loyalty to HREC. The duty of loyalty requires each Director, Officer, Policy Council member, and employee of HREC to respect the confidentiality of information gained in the course of Board

activities or employment. No Director, Officer, Policy Council member, or employee shall use information received in the course of serving HREC if the personal use of such information would be detrimental in any way to the Agency.

III. Conflicts of Interest

Directors - Any possible conflict of interest of any Director (or member of the Director's immediate family) shall be fully disclosed to the other Directors and made a matter of record. For the purpose of this policy, a member of an immediate family shall include any of the following persons: husband/wife, father/father-in-law, mother/mother-in-law, sister/sister-in-law, brother/brother-in-law, son/son-in-law, daughter/daughter-in-law, grandfather/grandmother, grandson/granddaughter. When any such possible conflict of interest becomes relevant to any matter requiring Board of Directors or Committee action, it shall be called to the attention of the Board or Committee and, if any question is raised as to whether a conflict of interest exists, the potentially interested person shall leave the meeting while the matter is discussed and voted upon. The remaining members shall decide if a conflict of interest exists. If the remaining members determine that a conflict of interest exists, or if no such vote is taken because a conflict of interest clearly exists, the Director shall not vote on the matter in which he or she (or a member of his or her immediate family) has a possible conflict of interest, shall not use personal influence to affect the vote, and shall leave the room during the final discussion and vote on the matter. However, any Director who is excluded from voting because of such possible conflict of interest may answer any pertinent questions of other Directors or Committee members when the Director's knowledge of the matter may assist the Board or Committee in making its determination. Any vote approving a transaction that involves a possible conflict of interest should include a determination by the disinterested Directors that the transaction is in the best interest of the Agency and is fair in all respects to HREC. The minutes of the meeting shall reflect that a disclosure was made and the nature of the disclosure, that the interested Director abstained from voting and left the room for the final discussion and vote, and that the interested Director abstained from the action taken to determine whether a conflict of interest existed, if any.

Board and Policy Council members are prohibited from receiving compensation for serving on the Board or providing services to the Agency, and Board members and their immediate family are prohibited from being employed by the Agency.

Board members must operate independent of staff employed at the Agency.

Committee Members - The provisions of this policy applying to directors also shall apply to any person who is not a Director but who is at any time serving as a member of any Committee.

Officers, Policy Council Members, and Employees - Each Officer, Policy Council member, and employee has a duty to make full disclosure to the Board of Directors of any possible conflict of interest (or that of a member of his or her immediately family) regarding any matter as to which the officer or employee provides recommendations or advice to the Board of Directors.

Types of Conflicts of Interest - A particularly important type of possible conflict of interest arises when a Director, Officer, Policy Council member, or employee holds a direct or indirect financial interest in (or will receive a benefit from) a business firm furnishing services, materials,

or supplies to HREC or that is seeking grant funds from HREC. Board of Directors, Officers, Policy Council members, and staff are prohibited from having a direct or indirect financial interest with HREC. A direct financial interest is the receipt of remuneration of any sort. An indirect financial interest exists if a party transacting business with HREC is an entity:

- (1) in which HREC's Director, Officer, Policy Council member, or employee (or a member of his or her immediate family) has a material financial interest;
- (2) with which HREC's Director, Officer, Policy Council member, or employee (or a member of his or her immediate family) has a substantial business relationship; or
- (3) of which HREC's Director, Officer, Policy Council member, or employee (or a member of his or her immediate family) is an Officer, Director, General Partner, or employee.

A direct or financial interest does not exist when an eligible Director, Officer, Policy Council member, or employee receives benefits or services through programs administered by HREC. Directors, Officers, Policy Council members, or employees are not excluded from being clients of the Agency and receiving program services for which they are eligible; however, they should not receive preferential treatment in the nature or timing of these services.

Directors, Officers, Policy Council members, and employees are prohibited from having a financial conflict of interest with HREC. If a financial conflict of interest exists and is not eliminated, the Director, Officer, Policy Council member, or employee must resign.

IV. Use of CAA's Services, Property, or Facilities for Personal Purposes

No Director, Officer, Policy Council member, or employee shall make use of HREC's services, property, or facilities for any purpose that is not related to the Agency's purposes.

V. Political Activities

No Director, Officer, Policy Council member, or employee of HREC in the name of the Agency or under the color of the official capacity or authority of HREC shall:

- (1) participate or become actively involved in any political campaign or in any other type of political activity; or
- (2) provide financial support for, or make contributions to or for the benefit of any political candidate, political party, or Political Action Committee, or provide financial support for or make contributions in support of any other political objective.

Notwithstanding the foregoing, HREC recognizes that each of its Directors, Officers, Policy Council members, and employees has the right as a citizen to become involved in his or her individual capacity in the political process in Tennessee and on a national and local basis. Any such participation or involvement by any person in a political campaign or other type of political activity or any contribution to or any other financial support of a political candidate or any other type of political contribution or support shall only be carried on or provided in an individual capacity.

VI. Compliance with Code of Conduct

Each Director, Officer, Policy Council member, and employee of HREC shall receive a copy of the Code of Conduct. Each such person shall be required to complete the disclosure statement and also shall certify that he or she has read the Code and agrees to comply with all standards and requirements set forth herein.

HIGHLAND RIM ECONOMIC CORPORATION

I, _____, hereby state that I have read the Code of Conduct (including the conflict of interest policy) of HREC. I agree to comply with all provisions of the Code of Conduct during the period of my employment or Committee, Policy Council, or Board tenure with the Agency.

If I become aware of an actual or potential conflict of interest, I will notify and disclose the circumstances to the Chair of the Board.

Signature

Date

I, _____, certify that I

- am not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded by any federal department or agency;
- have not been convicted of or had a civil judgment rendered against me for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction, for violation of federal or state antitrust statutes or for commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- am not presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state or local) with commission of any of the offenses above; and,
- have not had any public transactions (federal, state or local) terminated for cause or default during the three years prior to their application.

Signature

Date

HIGHLAND RIM ECONOMIC CORPORATION
Conflict of Interest Disclosure Form

Name: _____

Position (Employee, Policy Council Member, or Board Member): _____

Please describe below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to a conflict of interest between HREC and your personal interests, financial or otherwise:

_____ I have no conflict of interest to report

_____ I have the following conflict of interest to report. Please specify other nonprofit and for-profit boards you (or your spouse) sit on, any for-profit businesses for which you or an immediate family member are an Officer or Director, or a majority shareholder, and the name of your employer and any businesses you or an immediate family member own:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have reviewed, and agree to abide by, the Policy of Conflict of Interest of Highland Rim Economic Corporation.

Signature: _____

Date: _____