

South Fork Estates Mutual Water Company

Conflict-of-Interests Policy

Adopted on 1.22.26

1. Purpose

The purpose of this Conflict-of-Interest Policy is to protect the interests of South Fork Estates Mutual Water Company (“Company”) when it is considering entering into a transaction or arrangement that might benefit the private interest of a director, officer, or key employee. This policy is intended to supplement but not replace any applicable California laws governing conflict of interest applicable to mutual water companies and nonprofit corporations.

2. Definitions

A. Interested Person

Any director or officer who has a direct or indirect financial interest, as defined below, is an Interested Person.

B. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

1. An ownership or investment interest in any entity with which the Company has a transaction or arrangement.
2. A compensation arrangement with the Company or with any entity or individual with which the Company has a transaction or arrangement.
3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Company is negotiating a transaction or arrangement.

Note: A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the board of directors decides that a conflict exists.

3. Duty to Disclose

In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the board of directors or committee considering the proposed transaction or arrangement.

4. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the Interested Person, they shall leave the board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

5. Procedures for Addressing the Conflict of Interest

1. An Interested Person may make a presentation at the board or committee meeting, but after the presentation, they shall leave the meeting during the discussion and vote on the transaction or arrangement involving the possible conflict of interest.
2. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
3. After exercising due diligence, the board or committee shall determine whether the Company can obtain a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
4. If a more advantageous transaction or arrangement is not reasonably attainable, the board or committee shall determine by majority vote of the disinterested directors whether the transaction or arrangement is in the Company's best interest and for its own benefit and whether it is fair and reasonable. The board shall make its decision accordingly.

6. Violations of the Conflict-of-Interest Policy

1. If the board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts 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.
2. If, after hearing the response and making further investigation as warranted, the board or committee determines the member has failed to disclose an actual or possible conflict of interest, it may take appropriate disciplinary and corrective action.

7. Records of Proceedings

The minutes of the board and all committees with board-delegated powers shall contain:

- The names of the persons who disclosed or were found to have a financial interest,
- The nature of the financial interest,
- Any action taken to determine whether a conflict of interest was present,
- The decision of the board or committee as to whether a conflict of interest in fact existed,
- The names of persons who were present for discussions and votes relating to the transaction or arrangement,
- The content of the discussion, including any alternatives considered, and
- A record of any votes taken in connection with the proceedings.

8. Annual Statements

Each director, officer, and key employee shall annually sign a statement affirming that they:

- Have received a copy of the Conflict-of-Interest Policy,
- Have read and understand the policy,

- Have agreed to comply with the policy, and
- Understand that the Company is a mutual water company and must operate in compliance with applicable California state laws.

9. Periodic Reviews

To ensure the Company operates in a manner consistent with its nonprofit mutual purpose and does not engage in activities that could jeopardize its exempt status or violate state law, periodic reviews shall be conducted. These reviews shall, at a minimum, consider whether transactions and arrangements conform to the Company's mission and policies.

Approved by the Board of Directors on 1.22.26

Signed:

Board President

Board Secretary

Review and Revision History

Date	Action	By
10.19.25	New Policy	Patricia Pliskin, Secretary SFEMWC