

MORA-SAN MIGUEL ELECTRIC COOPERATIVE, INC.
BOARD OF DIRECTOR'S BUSINESS ETHICS AND PRACTICES POLICY
BOARD POLICY NO. 127
New Policy

Mora-San Miguel Electric Cooperative, Inc. (MSMEC) is committed to maintaining the highest legal and ethical standards in the conduct of its business. Members of MSMEC's Board of Directors are expected to perform their duties, including any duties as members of a committee, in good faith, in a manner which he or she believes is in, or not opposed to, the best interests of the corporation. The duties must be performed with such care as an ordinarily prudent person would use under similar circumstances in a like position. In performing these duties, a Director is entitled to rely on factual information, opinions, reports or statements (including financial statements) prepared or presented by:

A. one or more officers or employees of MSMEC on whom the Director reasonably believes to be reliable and competent in the matters presented;

B. legal counsel, public accountants, or other persons as to matters which the Director reasonably believes to be within that person's expertise; or

C. a committee of the Board on which the Director does not serve, if the Director reasonably believes the committee to warrant his confidence. If the Director has knowledge concerning the matter in question that would cause such reliance to be unwarranted, yet relies on the committee nonetheless, then the Director is not considered to be acting in good faith.

ORGANIZATIONAL ETHICS

MSMEC works with a diverse group of members and consumers. MSMEC expects its employees to be sensitive to the importance of providing professional and courteous treatment in all working relationships, to exhibit a high degree of personal integrity at all times employees are acting for or on behalf of MSMEC and to refrain from behavior that might be harmful to the organization, its personnel or the community. The Board of Director's actions, policies and practices must be consistent with MSMEC's organizational ethics and support MSMEC's expectations of its employees.

ORGANIZATIONAL CODE OF CONDUCT FOR BOARD MEMBERS

Members of MSMEC New Mexico's Board of Directors are expected to:

- Treat MSMEC board members, employees and clients with respect and professionalism.
- Avoid any actual conflicts of interest or the appearance of conflict of interest.
- Treat confidential and sensitive information with the utmost care.
- Address any unethical or illegal conduct the board member observes at the workplace to the board chair to another member of the board.
- Refrain from inappropriate relationships with MSMEC employees, applicants or clients.
- Refrain from attempting to inappropriately influence the status of a member's account.

CONFLICTS OF INTEREST

A Director must avoid using his or her position or the organization's assets in a way that would result in inappropriate financial gain for the Director or any member of his or her family. Directors may not take part in any MSMEC transaction in which they have a personal interest if there is, or might appear to be, a conflict between that interest and the interests of MSMEC.

GIFTS

A Director should not accept any type of gift(s) or anything of value. For the purposes of this policy, gift is defined to include goods, services, prizes, favors or contributions or anything of value.

A Director is expected to comply with all laws and rules governing gifts and payments, either directly or indirectly, to the officials and employees of governments, political candidates, or political parties and their officials.

CONFIDENTIAL INFORMATION

Information about (1) MSMEC members, individuals or entities with whom MSMEC has a business relationship, past, present or prospective, and (2) current or proposed services, products, business deals, plans or activities that MSMEC has not authorized for public disclosure is considered to be Confidential Information. Confidential information should be treated with utmost care by Directors and not disclosed publicly without the prior consent or approval of the Chair of MSMEC.

BOARD POLICY ON SUSPECTED FRAUD, MISCONDUCT AND DISHONESTY

Introduction

Like all organizations, MSMEC is faced with risks from wrongdoing, misconduct, dishonesty and fraud. As with all business exposures, MSMEC must be prepared to manage these risks and their potential impact in a professional manner.

The impact of misconduct and dishonesty may include:

- the actual financial loss incurred
- damage to the reputation of the organization and its employees
- negative publicity
- the cost of investigation
- loss of employees
- loss of members
- damage to relationships with other electric cooperatives, partners, contractors and suppliers
- litigation
- damage to employee morale

MSMEC's goal is to establish and maintain a business environment of fairness, ethics and honesty for MSMEC's employees, members, suppliers, board and anyone else with whom it has a relationship. To maintain such an environment requires the active support and assistance of the MSMEC board of directors.

MSMEC is committed to the deterrence, detection and correction of misconduct and dishonesty. The discovery, reporting and documentation of such acts provides a sound foundation to protect innocent parties, to take appropriate action in response to misconduct and dishonest and to refer to law enforcement agencies when warranted by the facts, and to recover assets.

Purpose

The purpose of the policy on suspected fraud, misconduct and dishonesty is to communicate MSMEC policy regarding the deterrence and investigation of suspected misconduct and dishonesty by employees and others, and to provide specific instructions regarding appropriate action in case of suspected violations.

This policy is in addition to MSMEC's Identity Theft Red Flag Prevention Policy.

Definition of Misconduct and Dishonesty

For purposes of this policy, misconduct and dishonesty include but are not limited to:

- Acts which violate the MSMEC's Organization Code of Conduct or any other board policy.
- Failing to avoid any actual conflicts of interest or the outward appearance of conflict of interest.
- Failing to treat confidential and sensitive information with the utmost care or divulging any confidential member information to individuals outside MSMEC without the express permission of the member.
- Failing to report any unethical or illegal conduct the board member observes at the workplace to the board chair or to another member of the board.
- Engaging in romantic or intimate relationships with MSMEC employees, applicants or clients.
- Attempting to influence inappropriately the status of a member's account.
- Accepting personal gifts, personal discounts, specific favors, or personal gratuities from clients contrary to the Conflict of Interest policy.
- Theft or other misappropriation of MSMEC's assets.
- Forgery or other alteration of MSMEC books and records.
- Fraud and other unlawful acts.

MSMEC specifically prohibits misconduct or dishonesty by members of its Board of Directors.

Policy and Responsibilities

Reporting

It is the responsibility of every board member to immediately report suspected misconduct or dishonesty to the accounting firm that audits the books and records of MSMEC or to the Chair of the Board. Board members who make such reports may not perform any investigative or other follow up steps on their own.

Responsibility and Authority for Follow Up and Investigation

The Board Chair will appoint a three person committee to act as an audit committee which will have the primary responsibility for all investigations involving MSMEC and all subsidiaries.

Properly designated members of the investigative team will have:

- free and unrestricted access to all cooperative records and premises, whether owned or rented
- the authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities (whether in electronic or other form) without the prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of investigative or related follow up procedures.

All investigations of alleged wrongdoing will be conducted in accordance with applicable laws and MSMEC procedures. The Audit Committee has the responsibility for follow up of all reported incidents and for overseeing any response to any inquiry from an attorney or any other contacts from outside of MSMEC, including those from law enforcement agencies or from the employee under investigation.

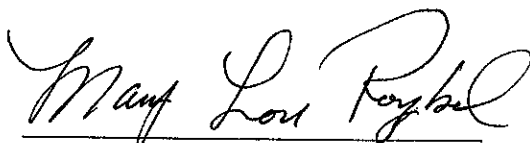
Questions or Clarifications Related to Policy on Suspected fraud, Misconduct and Dishonesty

All questions or requests for clarifications of this policy and its related responsibilities should be addressed to the Board Chair, who shall be responsible for the administration, revision, interpretation, and application of this policy.

The Board shall be responsible for the enforcement of this policy.

Approved: March 26, 2009

Effective : March 26, 2009



Board Secretary