
TEXAS RELIABILITY ENTITY CORPORATE POLICY

Document Name:	Ethics and Conflicts of Interest Corporate Policy
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Owner:	General Counsel
Governs:	Texas RE Personnel and Directors
Approved:	Board of Directors

I. Policy Statement

The purpose of this corporate policy is to document the obligation of Texas Reliability Entity, Inc. (Texas RE) employees, officers, and consultants (collectively, Texas RE Personnel), and Texas RE Directors (Directors) to perform job, engagement, and board services ethically, with integrity, and to refrain from involvement in or situations where they have any conflict of interest. Texas RE Personnel and Directors must protect Texas RE's interest when performing job, engagement, and board services and when contemplating entering into any transaction that might benefit or have the appearance of benefiting any Texas RE employee, officer, director, or consultant.

Texas RE is a tax exempt organization. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to non-profit and charitable organizations.

II. Requirements

- A. Texas RE Personnel and Directors must conduct Texas RE business and activities with total objectivity and may not seek or obtain personal gain (except for their documented Texas RE compensation) from the performance of their job, contractual, or board duties.
- B. A conflict of interest arises when: (1) the personal, financial, or other interest of any Texas RE Personnel or Director is significantly affected or may reasonably appear to be affected by his actions or decisions in his capacity at Texas RE, or (2) the action of any Texas RE Personnel or Director is in any way detrimental to the best interests of Texas RE. Financial interest includes any ownership, investment, or compensation interest by the person or his immediate family or household, and specifically includes any direct or indirect remuneration as well as gifts or favors which are not insubstantial.
- C. Because even the appearance of a conflict of interest could be detrimental to Texas RE's reputation, Texas RE Personnel and Directors should not take actions that could create a conflict or the appearance of a conflict of interest. Not all personal, financial, or other interests are conflicts of interest, but they must be disclosed so the Texas RE Legal Department (Legal Department) can determine if a conflict of interest exists.

- D. Texas RE Personnel and Directors must affirm their understanding of and agreement to follow this Ethics and Conflicts of Interest Corporate Policy by signing an Ethics Agreement, prior to employment, engagement, or board service with Texas RE and on an annual basis.
- E. Texas RE Personnel and Directors must disclose all potential conflicts of interest at the time they sign and re-affirm their Ethics Agreement and at any other time they become aware of a potential conflict of interest.
- F. All Texas RE Personnel and Directors must take appropriate annual ethics and antitrust training.

III. Roles and Accountabilities

- A. All Texas RE Personnel and Directors must acknowledge their understanding of, and compliance with, this corporate policy by signing an Ethics Agreement prior to employment, engagement, or board service with Texas RE and on an annual basis.
- B. All Texas RE Personnel and Directors must disclose to the Legal Department any actual or potential conflicts of interest when signing their Ethics Agreement and whenever additional potential conflicts of interest arise. The Legal Department shall review all such disclosures and notify individuals of any required restrictions regarding their employment, consulting, or Board services. For all employees or consultants who perform compliance or enforcement activities, the Legal Department will also maintain a list of any restrictions on the ability of these individuals to perform compliance or enforcement activities relating to any specific Registered Entity or Market Participant.
- C. All Texas RE Personnel and Directors with reason to believe that other Texas RE Personnel or Directors have failed to disclose actual or possible conflicts of interest shall immediately inform the Legal Department of the basis for the belief. Individuals may also submit anonymous reports of any ethics or conflicts of interest issues using the Texas RE anonymous reporting tool, which is currently at www.ethicspoint.com.
- D. The Legal Department shall review all reports of actual or potential conflicts of interest involving Texas RE Personnel and Directors. The Legal Department shall afford any Texas RE Personnel and Directors the ability to provide information about and explain the circumstances surrounding any alleged conflicts of interest. If after reviewing all relevant information and making further investigation as warranted, the Legal Department determines that Texas RE Personnel or Directors have actual conflicts of interest or failed to disclose actual conflicts of interest, the Legal Department will inform the Texas RE President and CEO, who shall take appropriate disciplinary and corrective action in the case of employees, officers and consultants. In the case of a Director, the Texas RE General Counsel or the President and CEO will notify the Board of Directors.
- E. Any Director with a conflict of interest must recuse himself from any action and any participation on the conflicted matter. If the Director discovers an undisclosed potential conflict of interest, he must disclose it to the Legal Department, and the

Legal Department shall determine whether an actual or possible conflict of interest exists that should require: (1) recusal of the Director from action and participation in any matter, or (2) resignation by the Director. If the Director disagrees with the Legal Department's determination, the Director shall be afforded the opportunity to explain any alleged conflict to the Board of Directors, who shall make a final determination of whether a conflict exists and if so, whether the Director must recuse himself or resign.

- F. If Texas RE Personnel or Directors have questions regarding their responsibilities under this corporate policy, they should refer their questions to Texas RE General Counsel.
- G. The Legal Department is responsible for reviewing Ethics Agreements and reports of conflict of interest, and for conducting annual ethics and antitrust training related to the requirements of this corporate policy for Texas RE Personnel and Directors.