

# Exhibit to Agenda Item #1

Approve amendment to SMUD's **Nonstock Security Pilot Project Program** to clarify the policy governing the acquisition of nonstock security.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting  
Tuesday, September 13, 2022, scheduled to begin at 5:30 p.m.

Virtual Meeting (online)

# Amendment of Nonstock Security Pilot Project Program

## Section 2. Definitions:

### Proposed Revision (additional Definition):

Acquisition – An act of obtaining an asset.

Financial Interest – Any monetary interest that is equal to or exceeds the ownership of 3 percent of the shares of a corporation for profit, provided that the total annual income to them from dividends, including the value of stock dividends, from the corporation does not exceed 5 percent of their total annual income, and any other payments made to them by the corporation do not exceed 5 percent of their total annual income.

Nonstock Security – A “security,” as defined in Section 25019 of the California Corporations Code, that is not a stock.

Stock – A distinct type of security that specifically includes an ownership interest in a corporation, where the owner is entitled to participate in: (i) the company’s management (e.g., has a voting right); (ii) a proportionate share of profits; and (iii) distribution of assets upon dissolution of the company. Its unit of measurement is the share.

# Amendment of Nonstock Security Pilot Project Program

Section 3.  
**Conflict of  
interest:**  
(last paragraph):

## Current Language:

To avoid any appearance or accusation of insider trading, non-public information received by SMUD may not be used to make decisions concerning the acquisition or sale of the security issued to SMUD.

# Amendment of Nonstock Security Pilot Project Program

## Proposed Revision:

Section 3.  
Conflict of  
interest:  
(last paragraph):

To avoid any appearance or accusation of insider trading, SMUD shall not use such material non-public information for any purpose other than to evaluate the proposed transaction including, but not limited to, the acquisition of nonstock security interest in such corporation or private entity. In addition, SMUD shall not trade (purchase or sell) the securities of such corporation or private entity so long as it is in possession of such material information that has not first been made public received by SMUD may not be used to make decisions concerning the acquisition or sale of the security issued to SMUD.

# Requested Action

- Approve amendment to SMUD's **Nonstock Security Pilot Project Program** to clarify the policy governing the acquisition of nonstock security.