

## **Conflict of Interest Policies and Procedures**

### **ARTICLE I**

#### **Purpose**

The purpose of these conflict of interest policies and procedures is to protect the interests of Flying Horse Farms' (the "Organization") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or member of the Board of Directors of the Organization. These policies and procedures are intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations. It is not the intent of these policies and procedures to prohibit the Organization's dealings with board members or officers; however, when dealing with such persons, special care shall be taken to ensure both the substance and appearance of fairness in all such dealings.

### **ARTICLE II**

#### **Definitions**

##### **1. Interested Person/Principal Officer**

Any director or officer of the Organization, or any member of a committee of the Organization that has governing board delegated powers (e.g., an Executive Committee or Committee of the Board), who has a direct or indirect financial interest, as defined below, is an interested person.

##### **2. Financial Interest**

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

- a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- b. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

### **Article III**

#### **Procedures**

1. Each Board member, officer, or member of a committee with board-delegated powers, in a position to influence or vote on Organization policy or expenditures (a “Key Individual,” collectively “Key Individuals”) shall exercise good faith in all transactions relating to the Organization and shall not use his or her position or knowledge gained there from, directly or indirectly, to cause a conflict to arise between the Organization’s interests and 1) such Key Individual’s personal interests, 2) the personal interests of a spouse or other family member of the Key Individual (the “Family Members”), or 3) the interests of any corporation, partnership, proprietorship, firm, association, limited liability company or other entity in which a Key Individual or Family Member is a director, trustee, officer or is an employee with significant administrative responsibilities or in which such person has any financial interest (or if a publicly traded company, an ownership interest of at least 5%) as a shareholder, partner, member, owner or otherwise (collectively, “Related Entities”).

2. With respect to any proposed grant, loan, contract or other transaction between the Organization and one or more Key Individuals, Family Members, or Related Entities, which is considered by the Board of Directors for authorization, approval or ratification, the following rules shall apply:

- a. Full disclosure at the meeting at which the matter is to be considered of the relationship or interest shall be made by the Key Individual to that person representing the Organization on the grant, loan, contract or transaction, prior to discussion or action on such grant, loan, contract or transaction.
- b. Whenever it is determined that a Conflict of Interest exists, or may exist, and it is properly disclosed as set forth herein, the board may decide to enter into the grant, loan, contract or transaction provided the Board determines that:
  - i. The proposed grant, loan, contract or transaction is in the best interests of the Organization.
  - ii. The proposed grant, loan, contract or transaction is fair.

In making such a determination, the Board shall use its best judgment and take into account all relevant factors, both financial and non-financial.

- c. The grant, loan, contract or transaction will be considered properly authorized, approved or ratified only if there is a favorable vote of a majority of the Organization's Board present at a meeting of the Board at which a quorum is present at the time of the vote and the Key Individual who has such a relationship or interest does not vote upon such grant, loan, contract or transaction. The Key Individual who has such a relationship or interest may make a presentation at the meeting, but after the presentation, the Key Individual shall leave the meeting during the discussion of, and the vote on, the grant, loan, contract or transaction. The Key Individual shall not be counted in determining the existence of a quorum for the purpose of voting upon the grant, loan, contract or transaction at any meeting. The minutes of the meeting shall reflect the disclosure made, the content of the discussions as appropriate, the vote taken and, where applicable, the abstention from the discussions and voting of the Key Individual.
3. Violations of the Conflicts of Interest Policy.
    - a. If the governing 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 of such belief and afford the member an opportunity to explain the alleged failure to disclose.
    - b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing Board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate corrective action.

#### **Article IV**

##### **Records of Proceedings**

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

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing Board's or committee's decision as to whether a conflict of interest in fact existed.
2. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

## **Article V**

### **Compensation**

1. A voting member of the governing Board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
3. A voting member of the governing Board or any committee whose jurisdiction includes compensation and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, may provide information to any committee regarding compensation but is precluded from voting on such matters.

## **Article VI**

### **Annual Statements**

Each Board member, officer and member of a committee with board-delegated powers shall annually sign a statement, which affirms that such person:

1. Has received a copy of the conflicts of interest procedures,
2. Has read and understands the procedures,
3. Has agreed to comply with the procedures, and
4. Understands that the Organization is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish its tax-exempt purposes.

## **Article VII**

### **Periodic Reviews**

To ensure the Organization operates in a manner consistent with charitable and educational purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based upon competent survey information and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization 's written policies, are properly recorded, reflect reasonable investment or payment or payments for goods and services, further charitable and educational purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

### **Article VIII**

#### **Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing Board of its responsibility for ensuring periodic reviews are conducted.

#### **Declaration**

I have received a copy of Flying Horse Farms' Conflict of Interest Procedures and I have read and understand them. I agree to comply with the procedures. In addition, I understand that the Organization is a charitable organization and that, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish its tax exempt purposes.

SIGNED: \_\_\_\_\_

DATE: \_\_\_\_\_