Cowpasture River Preservation Association

Conflict of Interest Policy

I. Purpose

A. The purpose of this Board conflict of interest policy is to protect the Cowpasture River Preservation Association's (CRPA) interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of an officer or director of CRPA or might result in a possible excess benefit transaction.

B. This policy is intended to implement and supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

C. This policy is also intended to identify "independent" directors.

II. Definitions

A. **Interested person** – Any director, principal officer, or member of a committee with governing board delegated powers, who has a 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 CRPA has a transaction or arrangement,
2. A compensation arrangement with CRPA or with any entity or individual with which CRPA has a transaction or arrangement, or
3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which CRPA 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. A person who has a financial interest may have a conflict of interest only if the Board or Executive Committee decides that a conflict of interest exists, in accordance with this policy.

C. **Independent Director** – A director shall be considered "independent" for the purposes of this policy if he or she is "independent" as defined in the instructions for the IRS 990 form or, until such definition is available, the director –

1. is not, and has not been for a period of at least three years, an employee of CRPA or any entity in which CRPA has a financial interest;
2. does not directly or indirectly have a significant business relationship with CRPA, which might affect independence in decision-making;

3. is not employed as an executive of another corporation where any of CRPA's executive officers or employees serve on that corporation's compensation committee; and
4. does not have an immediate family member who is an executive officer or employee of CRPA or who holds a position that has a significant financial relationship with CRPA.

III. Procedures

A. **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 or Executive Committee.

B. **Recusal of Self –** Any director may recuse himself or herself at any time from involvement in any decision or discussion in which the director believes he or she has or may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.

C. **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, he/she shall leave the Board or Executive Committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or Executive Committee members shall decide if a conflict of interest exists.

D. **Procedures for Addressing the Conflict of Interest**

1. An interested person may make a presentation at the Board or Executive Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
2. The President of the Board or Executive 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 Executive Committee shall determine whether CRPA can obtain with reasonable efforts 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 possible under circumstances not producing a conflict of interest, the Board or Executive Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in CRPA's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

E. **Violations of the Conflicts of Interest Policy**

1. If the Board or Executive 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 member's response and after making further investigation as warranted by the circumstances, the Board or Executive Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

IV. Records of Proceedings

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

A. 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 Board's or Executive Committee's decision as to whether a conflict of interest in fact existed.

B. 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.

V. Compensation

A. A voting member of the Board who receives compensation, directly or indirectly, from CRPA for goods or services is precluded from voting on matters pertaining to that member's compensation.

B. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from CRPA for goods or services is precluded from voting on matters pertaining to that member's compensation.

C. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from CRPA, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

VI. Annual Statements

A. Each director, principal officer and member of a committee with Board delegated powers shall annually sign a statement which affirms such person:

1. Has received a copy of the conflict of interest policy,
2. Has read and understands the policy,
3. Has agreed to comply with the policy, and
4. Understands that CRPA is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
5. Has no knowledge of a financial interest in any transaction or arrangement that is under way or is being negotiated by CRPA. Alternatively, the person may use the form to disclose the financial interest for consideration by CRPA pursuant to this policy.

B. Each voting member of the Board shall annually sign a statement which declares whether such person is an independent director.

C. If at any time during the year, the information in the annual statement changes materially, the director shall disclose such changes and revise the annual disclosure form.

D. The Executive Committee shall regularly and consistently monitor and enforce compliance with this policy by reviewing annual statements and taking such other actions as are necessary for effective oversight.

VII. Periodic Reviews

To ensure CRPA operates in a manner consistent with charitable 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:

A. Whether compensation arrangements and benefits are reasonable, based on competent survey information (if reasonably available), and the result of arm's length bargaining.

B. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to CRPA's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement or impermissible private benefit or in an excess benefit transaction.

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