

Lexington Model Airplane Club, Corp.

A Kentucky Non-profit Public Benefit Corporation

Conflict of Interest Policy

Purpose of the conflict of interest policy

To protect LMAC from entering into a transaction with a board member or member that might benefit the private interest of a board member or member that might benefit in excess that member.

Definitions

Interested person - A board member or committee member with a direct or indirect financial interest.

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

- a) An ownership or investment interest in an organization with which LMAC will be entering into transaction or arrangement with.
- b) Compensation arrangement with an organization or individual with which LMAC is engaging.
- c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which LMAC 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.

Procedures

Duty to Disclose - In connection with any possible conflict of interest, an interested party is required to disclose the existence of a financial interest.

Lexington Model Airplane Club, Corp.

Determining Whether a Conflict of Interest Exists - After disclosure of the financial interest and presentation of all material facts, along with any discussion, he/she will leave the meeting and the remaining board will discuss and vote on the existence of a conflict of interest.

Procedure for Addressing the Conflict of Interest

- a) An interested person may make a presentation at the board meeting. After the presentation, he/she shall leave the meeting during the discussion and the vote on the transaction or arrangement involving the possible conflict of interest.
- b) The chairperson shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c) After exercising due diligence, the board shall determine whether LMAC, with reasonable efforts, can obtain a more advantageous transaction or arrangement from elsewhere that would not give rise to a conflict of interest.
- d) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the board shall determine by a majority vote of disinterested officers whether the transaction is in LMACs best interest.

Violations of the Conflicts of Interest Policy

- a) If the board 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.
- b) If, after hearing the member's response and after making further investigation as warranted by the circumstances, the board determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Records of Proceedings - The minutes of the board meetings 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 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, and a record of any votes taken in connection with the proceedings.

Compensation – No Board member or member of the organization receives compensation.

Annual Statements - Each officer on the board shall sign a statement which affirms such person:

- a) Has received a copy of the conflicts of interest policy.
- b) Has read and understands the policy.
- c) Has agreed to comply with the policy.
- d) Understands LMAC 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.

Periodic Reviews - To insure LMAC 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 reflect reasonable payments for goods and services, further charitable purposes and will not result in impermissible private benefit or in an excess benefit transaction.