

Conflict of Interest Policy of the Foster's Pond Corporation

Article I Preamble

WHEREAS, the Foster's Pond Corporation ("FPC") is a small community-based organization that relies heavily on volunteers to fulfill its purposes; and

WHEREAS the FPC does not compensate its officers or directors, and has no paid staff; and

WHEREAS the Board of Directors recognizes its obligation to ensure that the FPC's modest resources are expended in a manner consistent with charitable purposes and not for purposes that could jeopardize the FPC's tax-exempt status,

NOW, THEREFORE, the Board has adopted this conflict-of-interest policy to protect the FPC's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer, Director or Member of the FPC or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II Definitions

1. Interested Person

Any Director or Officer who has a direct or indirect financial interest, as defined below, is an interested person. A Member shall be considered an interested person if the Member has a direct or indirect financial interest in a transaction to be voted upon by the Members of the corporation.

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 FPC has or is considering a transaction or arrangement;
- (b) a compensation arrangement with any entity or individual with which the FPC has or is considering a transaction or arrangement;
- (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the FPC is negotiating a transaction or arrangement; or

(d) an ownership or leasehold interest in any real property as to which the FPC is negotiating any interest, or if such person seeks, directly or indirectly, through business, investment, or family, any interest in real property owned by the FPC.

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 Board of Directors (or the Members, as the case may be) shall decide that a conflict of interest exists.

Article III Procedures

1. 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 of Directors or (if the transaction or arrangement is subject to a vote of the Members) to a meeting of the Members.

2. 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 meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Directors (or Members, as the case may be) shall decide if a possible conflict of interest, or the substantial appearance of a conflict of interest, exists. If the proposed arrangement or transaction is limited to the reimbursement of actual and reasonable out-of-pocket expenses paid to disinterested third parties and evidenced by appropriate documentation, in a total amount not to exceed \$2,000, the Directors or Members may make their decision in the presence of the interested person.

3. Procedures for Addressing the Conflict of Interest

Where the Board of Directors (or the Members, as the case may be) determines that a possible conflict of interest or the substantial appearance of a conflict of interest exists, the following procedures shall be followed.

- a.** The interested person may make a presentation at the Board of Directors or membership 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.
- b.** The President 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 of Directors or the committee shall determine whether

the FPC 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.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board of Directors (by a majority vote of the disinterested Directors) or the Members (by a majority vote of the disinterested Members) shall determine whether the transaction or arrangement is in the FPC's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the Directors (or Members, as the case may be) shall make their decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

a. If the Board of Directors has reasonable cause to believe a Director or Member has failed to disclose actual or possible conflicts of interest, it shall inform the Director or Member of the basis for such belief and afford the him or her an opportunity to explain the alleged failure to disclose.

b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the Board of Directors determines the Director or Member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV Records of Proceedings

The minutes of the Board of Directors (or of a meeting of the Members, as the case may be) shall contain 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, the decision as to whether a conflict of interest in fact existed, and votes relating to the transaction or arrangement.

Article V Dissemination and Reviews

Each Director and Officer, upon election, shall be provided with a copy of this conflict of interest policy. To ensure that the FPC operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, the Board of Directors shall periodically review this policy.