

**Midwest Region
National Model Railroad Association, Inc.**

**Board of Directors
Conflict of Interest Policy & Procedure**

Article I – Authority and Purpose

1. This Conflict of Interest Policy & Procedure is established by the Board of Directors (hereinafter the “Board”) of the Midwest Region (hereinafter the “Region”). The Region’s Constitution, Bylaws and Policies & Procedures set forth rules regulating the affairs of the Region. Collectively these organizational documents constitute the Executive Handbook.
2. The purpose of the conflict of interest policy is to protect the Region’s tax-exempt interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or Director of the Region, 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 non-profit and charitable organizations.

Article II – Definitions

1. Interested Person. Any Director, Officer, or member of a committee with Board delegated powers, 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 Region has a transaction or arrangement,
 - b. A compensation arrangement with the Region or with any entity or individual with which the Region 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 Region 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 Board or committee decides 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 Directors and members of committees with Board delegated powers considering the proposed transaction or arrangement.
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 Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.
3. **Procedures for Addressing the Conflict of Interest.**
 - a. An interested person may make a presentation at the Board or 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.
 - b. The chairperson of the Board or committee 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 or committee shall determine whether the Region 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 or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is in the Region'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.
4. **Violations of the Conflict 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 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 or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV – Record of Proceedings

- 1 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 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.

Article V – Compensation

1. A voting member of the Board who receives compensation, directly or indirectly, from the Region 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 Region for services is precluded from voting on matters pertaining to that member's compensation.
3. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Region, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI – Annual Statements

1. Each Director, Officer and member of a committee with Board delegated powers shall annually sign a statement which affirms such person:
 - a. Has received a copy of the conflict of interest policy,
 - b. Has read and understands the policy,
 - c. Has agreed to comply with the policy, and
 - d. Understands the Region 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.
2. Within 30 days of the adoption of this Conflict of Interest Policy & Procedure and annually thereafter in June of each year, the Secretary will forward by electronic or regular mail this Conflict of Interest Policy & Procedure and the attached Statement to each Director, Officer and member of a committee with Board delegated powers. Upon receipt of the Statement, each Director, Officer and member of a committee with Board delegated powers will execute the Statement and return it to the Secretary within 60 days of receipt.

Article VII – Periodic Reviews

1. To ensure the Region operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax exempt status, periodic reviews in

connection with the annual review of the financial statements 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 and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Region's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII – Outside Experts

1. When conducting the periodic reviews as provided for in Article VII, the Region 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.

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Statement Re: Conflict of Interest Policy & Procedure

I attest that I have received a copy of the Conflict of Interest Policy & Procedure of the Midwest Region of the National Model Railroad Association, Inc. as adopted on May 5, 2013; I have read and understand it; I agree to comply with it; and I understand the Midwest Region of the National Model Railroad Association, Inc. 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.

Name (Print or Type)

Position(s)

Signature

Date

Return this form to:

Bert Lattan
Secretary, Midwest Region
145 Heathrow Ct
Lake Bluff, IL 60044-1922