

1 **OKLAHOMA N-Rail, Inc.**

2 Conflict of Interest Policy as adopted by Oklahoma N-Rail, Inc. July 2007

3
4 **Article I**

5 **Purpose**

6 The purpose of the conflict of interest policy is to protect the interests of Oklahoma N-Rail, Inc.
7 a tax exempt corporation (henceforth referred to as The Corporation) when it is contemplating
8 entering into a transaction or arrangement that might benefit the private interest of an officer or
9 director of The Corporation or might result in a possible excess benefit transaction. This policy is
10 intended to supplement but not replace any applicable state and federal laws governing conflict
11 of interest applicable to nonprofit and charitable Corporations.

12
13 **Article II**

14 **Definitions**

15 **1. Interested Person**

16 Any member of the board of directors or officer, who has a direct or indirect financial interest, as
17 defined below, is an interested person.

18 **2. Financial Interest**

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

21 **a.** An ownership or investment interest in any entity with which The Corporation has a
22 transaction or arrangement,

23 **b.** A compensation arrangement with The Corporation or with any entity or individual with
24 which The Corporation has a transaction or arrangement, or

25 **c.** A potential ownership or investment interest in, or compensation arrangement with, any entity
26 or individual with which The Corporation is negotiating a transaction or arrangement.

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

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Article III

Procedures

Section 1

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 members for consideration of the proposed transaction or arrangement.

Section 2

Disclosure of the financial interest and all material facts shall be presented to the membership at a business meeting. The regular members will be given an opportunity, by vote to determine if a conflict of interest exists.

Section 3

a. An interested person may make a presentation regarding 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. The regular members shall determine whether The Corporation 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 regular members shall determine by a majority vote whether the transaction or arrangement is in The Corporation'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.

Section 4

a. If any member has reasonable cause to believe another member has failed to disclose actual or possible conflicts of interest, the matter should be brought before the Board of Directors 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, it is believed that the member has failed to disclose an actual or possible conflict of interest, the member will be brought before the regular membership for appropriate disciplinary and corrective action.

1 **Article IV**

2 Records of Proceedings

3 The minutes of the meeting and any related board meetings shall contain:

4 **a.** The names of the persons who disclosed or otherwise were found to have a financial interest in
5 connection with an actual or possible conflict of interest, the nature of the financial interest, any
6 action taken to determine whether a conflict of interest was present, and the decision as to
7 whether a conflict of interest in fact existed.

8 **b.** The names of the persons who were present for discussions and votes relating to the
9 transaction or arrangement, the content of the discussion, including any alternatives to the
10 proposed transaction or arrangement, and a record of any votes taken in connection with the
11 proceedings.

12
13 **Article V**

14 Compensation

15 Section 1

16 A member whose jurisdiction includes compensation matters and who receives compensation,
17 directly or indirectly, from The Corporation for services is precluded from voting on matters
18 pertaining to that member’s compensation.

19 Section 2

20 No member whose jurisdiction includes compensation matters and who receives compensation,
21 directly or indirectly, from The Corporation, either individually or collectively, is prohibited
22 from providing information to any committee regarding compensation.

23
24 **Article VI**

25 Annual Statements

26 Each officer and member of the board of directors shall annually sign a statement which affirms
27 such person:

28 **a.** Has received a copy of the conflicts of interest policy,

29 **b.** Has read and understands the policy,

30 **c.** Has agreed to comply with the policy, and

1 **d.** Understands The Corporation is charitable and in order to maintain its federal tax exemption it
2 must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

3 4 **Article VII**

5 Periodic Reviews

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

9 **a.** Whether compensation arrangements and benefits are reasonable, based on competent survey
10 information and the result of arm's length bargaining.

11 **b.** Whether partnerships, joint ventures, and arrangements with management Corporations
12 conform to The Corporation's written policies, are properly recorded, reflect reasonable
13 investment or payments for goods and services, further charitable purposes and do not result in
14 inurement, impermissible private benefit or in an excess benefit transaction.

15 16 **Article VIII**

17 Use of Outside Experts

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

21 22 **Appendix A**

23 Statement of Acknowledgement

24 The Secretary of The Corporation shall distribute the following statement to the officers of The
25 Corporation, have them sign their copy and keep that copy on file:
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3 I, _____ as the duly elected _____ of Oklahoma N-Rail, Inc, do hereby
4 certify that I have read and will adhere to the Conflict of Interest Policy as adopted by Oklahoma
5 N-Rail, July 2007.

6 Signed,

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8 on this ____ day of the month of _____ in the year _____.

9 _____

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