

CONFLICTS OF INTEREST AND EXECUTIVE COMPENSATION POLICY
MountainStar Family Relief Nursery

Purpose

The Board of Directors shall monitor the transactions between the corporation and insiders to ensure that any transaction between the corporation and an insider that is a conflict of interest is fair to the corporation and does not grant excessive benefit to the insider. The purposes of this policy are to ensure that directors and officers act loyally to the corporation and that directors, officers and those who exercise substantial influence over the corporation do not use their influence to obtain benefits in excess of fair market value in transactions with the corporation. This policy seeks to ensure that the corporation maintains high ethical standards and observes state and federal taxation concerning conflicts and excess benefits transactions.

SECTION 1: DEFINITION OF INSIDER

For purposes of this policy, “insider” has the same meaning as “disqualified person” under the Internal Revenue Code, 26 USC §4958. The current IRS definition is explained in §§1.1 through 1.4 below and will need to be updated if the IRS definition changes. In addition, the individuals and entities described in §§1.5 and 1.6 below are also considered insiders.

1. An insider is any person who is in a position of authority over the corporation or who exerts substantial influence over the corporation, including directors, officers, the top management official, the top financial official, other key employees, the founders and major donors.
2. Family members of insiders are also insiders. Family members include the spouse or partner in a civil union recognized by state law; children, grandchildren, great-grandchildren, whole and half-blooded brothers and sisters, and spouses of any of these people; and any ancestors (parents, grandparents, etc.)
3. Corporations and limited liability companies in which an insider owns more than 35% of the voting power, partnerships in which the insider owns more than 35% of the profits and trusts or estates in which the insider owns more than 35% of the beneficial interest are insiders.
4. An insider who becomes an insider by virtue of §§1.1 through 1.3 above remains an insider for five years after his or her influence over this corporation ends.
5. An entity in which a director has a material interest or is a general partner, director, officer, top management official, top financial official or other key employee is an insider.
6. An insider is any other for-profit or nonprofit entity in which a director of this corporation is a director or officer and the entity and this corporation are parties to a transaction that is or should be considered by the boards of both corporations.

EXPLANATION OF INDEPENDENCE AS DIRECTOR

The IRS requires that an exempt organization disclose which of its voting Directors were independent during its last tax year. Generally, independent directors are those who do not benefit financially from their position in the corporation. The instructions to the Form 990 that define independent directors are attached and are detailed.

You are an independent director if **all** of the following were true throughout the entire tax year:

1. You were not compensated as an officer or other employee.
2. You did not receive total compensation or other payments from the corporation as an independent contractor of more than \$10,000. (You do not have to count reimbursement of your expenses under an accountable expense-reimbursement plan or reasonable compensation for services you provided as a *director* toward the \$10,000 total.)
3. Neither you, a family member, nor any business in which you have an interest was involved in any transaction with the corporation or made any loan to or received any loan from the corporation.
4. Neither you, a family member, nor any business in which you have an interest received any grants or other assistance from the corporation.

If all of the above were true throughout the entire year, please sign the Annual Questionnaire as an independent member of the Board of Directors.

If all of the above were not true throughout the entire year, you may still be an independent director but will need assistance from the corporation's accountant to determine if you are independent. Please see the President of the Board for assistance.

ANNUAL QUESTIONNAIRE

INDEPENDENCE AS DIRECTOR AND ACKNOWLEDGMENT STATEMENT

[Each Voting Director should sign and submit this form annually.]

Disclosure

Please read the attached explanation to determine whether, during the corporation's last tax year, you were an independent member of the Board of Directors as defined by the IRS Form 990. If you need assistance, please consult the President of the Board. After reading the explanation, please check one of the following:

___ Yes, I was an independent member of the Board of Directors during the last tax year.

___ No, I was not an independent member of the Board of Directors during the last tax year.

Acknowledgment

I have read the attached explanation and state that I have answered the disclosure question to the best of my ability.

Signature

Print Name

Title

DATE: _____

Please submit this form to the Secretary of the corporation and retain a copy for your records.

FORM 990 INSTRUCTIONS

Business relationship. Business relationships between two persons include any of the following:

1. One person is employed by the other in a sole proprietorship or by an organization with which the other is associated as a **trustee, director, officer, key employee**, or greater-than-35% owner.
2. One person is transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year. (*Indirect transactions* are transactions with an organization with which one person is associated as a trustee, director, officer, key employee, or greater-than-35% owner).
3. The two persons are each a director, trustee, officer, or greater than 10% owner in the same business or investment entity.

Ownership is measured by stock ownership (either voting power or value) of a corporation, profits or capital interest in a partnership or limited liability company, membership interest in a nonprofit organization, or beneficial interest in a trust. Ownership includes indirect ownership (for example, ownership in an entity that has ownership in the entity in question); there may be ownership through multiple tiers of entities.

Privileged relationship exception. For purposes of [this instruction], a "business relationship" does not include a relationship between an attorney and client, a medical professional (including psychologist) and patient, or a priest/clergy and penitent/communicant.

ANNUAL QUESTIONNAIRE

INTERNAL FAMILY OR BUSINESS RELATIONSHIPS AND ACKNOWLEDGMENT STATEMENT

[Each Director, Officer and Key Employee should sign and submit this form annually.]

Disclosure

The IRS requires the corporation to report whether any of our directors, officers or key employees had a family or business relationship *with our other directors, officers or key employees* during the corporation's last tax year. You do not need to disclose any other details about these relationships. Please check all of the following that apply:

Yes, I did have a family relationship with another of the corporation's directors, officers or key employees during the corporation's last tax year.

Yes, I did have a business relationship as described in the attached Form 990 Instructions with another of the corporation's directors, officers or key employees during the corporation's last tax year.

No, I did not have any family or business relationships described in the attached Form 990 Instructions during the corporation's last tax year.

Acknowledgment

I have read the attached explanation and state that I have answered the disclosure question to the best of my ability.

Signature

Print Name

Title

DATE: _____

Please submit this form to the Secretary of the corporation and retain a copy for your records.

ANNUAL QUESTIONNAIRE

**CONFLICTS OF INTEREST AND EXECUTIVE COMPENSATION POLICY
DISCLOSURE AND ACKNOWLEDGMENT STATEMENT**

[Each Director, Officer and Key Employee should sign and submit this form annually.]

Disclosure

Please report below any conflicts of interest or potential conflicts of interest between our corporation and you, a family member or a business or corporation with which you are connected within the meaning of the Conflicts of Interest and Executive Compensation Policy.

You have an ongoing obligation to notify the Board promptly of any such conflicts of interest that subsequently arise.

List of Conflicts or Potential Conflicts

Please list and explain any conflicts here:

Acknowledgment

I have received, read, understand and will comply with the Conflicts of Interest and Executive Compensation Policy of this corporation. I affirm that, other than the conflicts reported above, I am aware of no conflicts of interest that I have or may have within the meaning of the Conflicts of Interest and Executive Compensation Policy.

Signature

Title

Print Name

DATE: _____

Please submit this form to the Secretary of the corporation and retain a copy for your records.