

NATIONAL RAILWAY HISTORICAL SOCIETY

Policy on Conflicts of Interest, Revision A, April 10, 2013

This conflict of interest policy is designed to directors, National Representatives, officers, employees, contractors and staff members of the NATIONAL RAILWAY HISTORICAL SOCIETY, INC. (NRHS) identify and deal with situations that present potential conflicts of interest, and to outline their responsibilities to the Society, and to provide NRHS with a procedure which, if observed, will allow a transaction to be treated as valid and binding even though a director, National Representative, officer, employee, contractor or staff member has or may have a conflict of interest with respect to the transaction. NRHS' effectiveness is dependent on its credibility and reputation for objectivity and fairness. At the same time, individual Responsible Persons may be potential participants or provide professional business assistance, volunteer or contractor services to NRHS, its vendors and suppliers, or in an NRHS transaction. Therefore, it is appropriate for NRHS to adopt specific policies that address real or apparent conflicts of interest. All capitalized terms are defined in Sections 1 and 2 of this policy.

1. Definitions.

A. A "CONFLICT OF INTEREST" is any circumstance described in Part 2 of this Policy.

B. A "RESPONSIBLE PERSON" is any person serving as an officer, employee, contractor, committee member, member of the Board of Directors, or member of the Advisory Council including Alternate Representatives, of NRHS.

C. A "FAMILY MEMBER" is a spouse, domestic partner recognized by any state or local municipality, parent, child or spouse of a child, brother, sister, or spouse of a brother or sister, of a Responsible Person.

D. A "MATERIAL FINANCIAL INTEREST" in an entity is a financial interest of any kind, which, in view of all the circumstances, is substantial enough that it would, or reasonably could, affect a Responsible Person's or Family Member's judgment with respect to transactions to which the entity is a party. This includes all forms of compensation. This includes ownership interests of greater than five percent in aggregate whether direct or indirect.

E. A "CONTRACT or TRANSACTION" is any agreement or relationship involving the sale or purchase of goods, services, or rights of any kind, the providing or receipt of a loan or grant, the establishment of any other type of pecuniary relationship, or review of separate and distinct charitable organization by NRHS and those acting on its behalf. The making of a gift to NRHS is not a Contract or Transaction. This includes land-related transactions and business transactions.

2. Conflict of Interest Defined.

For purposes of this policy, the following circumstances shall be deemed to create Conflicts of Interest:

A. Outside Interest.

- (i) A Contract or Transaction between NRHS and a Responsible Person or Family Member.
- (ii) A Contract or Transaction between NRHS and an entity in which a Responsible Person or Family Member has a Material Financial Interest or of which such person is a director, officer, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator or other legal representative.
- (iii) The relationship between the Chapters of the NRHS which are independent organizations, not under the control of the NRHS, the members of the Board of Directors, and the members of the Advisory Council, notwithstanding the status of any National Representative or Alternate Representative having been appointed or nominated by a particular constituency, including but not limited to voting, appointment of officers and staff, expenditures of funds, or allocation of budgeted funds.
- (iv) Any relationship which must be reported to the outside auditors of NRHS, as defined by the auditors from time to time and potentially to any taxing authority having jurisdiction over either NRHS or the members thereof.
- (v) The refusal to sign the agreement attached to this policy, or the willful refusal to reveal relevant information as to any potential conflict of interest as defined herein.

B. Outside Activity.

- (i) A Responsible Person who is (a) competing with NRHS in the rendering of services or in any other Contract or Transaction with a third party or (b) seeking to do business with NRHS.
- (ii) A Responsible Person's having a Material Financial Interest in or serving as a director, officer, employee, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator or other legal representative of, or consultant to an entity or individual that (a) competes with NRHS in the provision of services or in any other Contract or Transaction with a third party or (b) seeks to do business with NRHS.

C. Gifts, Gratuities and Entertainment.

A Responsible Person accepting gifts, entertainment or other favors from any individual or entity that:

- (i) does or is seeking to do business with, or is a competitor of NRHS, or any of its chapters;
- or

(ii) has received, is receiving or is seeking to receive a loan or grant, or to secure other financial commitments from NRHS; or

(iii) is a charitable organization under circumstances where it might be inferred that such action was intended to influence or possibly would influence the Responsible Person in the performance of his or her duties. This does not preclude the acceptance of items of nominal or insignificant value or entertainment of nominal or insignificant value that are not related to any particular transaction or activity of NRHS; or

(iv) has received a sum of money, or a promise of reimbursement from any organization, including but not limited to a Chapter of NRHS.

(v) Notwithstanding the above (i-iv), a Responsible Person in the normal course of business may accept the reasonable payment for meals, entertainment and travel expenses that do not exceed \$500 during any relevant 12 month period, which shall commence with the organizational meeting of the Board of Directors. This does not preclude the acceptance of gifts of nominal or insignificant value (\$100 or less per occurrence), even if these nominal gifts aggregate to the sum of \$500.00 or more per relevant 12 month period.

3. Procedures.

A. Prior to the Board of Directors, or any Committee of the NRHS taking action on any Contract or Transaction involving a Conflict of Interest, a Responsible Person, who has a Conflict of Interest and who is in attendance at the meeting, or is submitting an absentee ballot, shall disclose all facts material to the Conflict of Interest. Such disclosure shall be reflected in the minutes of the meeting and extend to instructions to voting members of the Board. Such requirements shall extend to meetings at which the Responsible person does not attend.

~~Instructions to vote shall not be recorded in the minutes of the meeting.~~

B. A Responsible Person who has a Conflict of Interest may be present and participate in the Board's or committee's discussion of the Contract or Transaction, but shall not vote on those matters and must leave the room when the vote is taken. Such Responsible Person's ineligibility to vote shall be reflected in the minutes of the meeting.

C. Responsible Persons who are not members of the Board of Directors of NRHS and who have a Conflict of Interest with respect to a Contract or Transaction that is not the subject of Board or committee action, shall disclose to the President or the President's designee any Conflict of Interest that such Responsible Person has with respect to a Contract or Transaction. Such disclosure shall be made as soon as the Responsible Person knows of the Conflict of Interest. The Responsible Person shall refrain from any action that may affect NRHS participation in such Contract or Transaction.

D. Where the Contract or Transaction constitutes a provision of services to NRHS, approval of such a transaction shall occur only if the Board, or its Executive Committee makes specific findings that (A) the transaction or contract (i) is fair and benefits NRHS and its objectives and (ii) is approved with the full knowledge of the economic benefit to the Responsible Person involved in the conflict of interest and (iii) a good faith effort was made to review the range of options and costs for the provision of said services; and (B) that the affected Responsible Person did not participate in the

vote approving the transaction or project and was in fact absent at the time of the Board or Executive Committee vote on this issue.

F. If requested by the Board, a Responsible Person shall take a temporary leave of absence from the Board of Directors until completion of the Contract or Transaction in which the Responsible Person has a conflict of interest. Normal by-law provisions as to Alternate Directors shall be used to fill the temporary vacancy.

G. In the event that it is not entirely clear that a Conflict of Interest exists, the Responsible Person with the potential conflict shall disclose the circumstances to the General Counsel or the General Counsel's designee, who shall determine whether there exists a Conflict of Interest that is subject to this policy.

H. The minutes of formal meetings of the NRHS Board of Directors shall reflect all instances when a Responsible Person has stated a Conflict of Interest, refrained from participating in the discussion of an item of business and refrained from voting on an item of business.

4. Review of Policy.

A. Each Responsible Person shall review a copy of this policy and abide by its terms. Each Responsible Person shall execute the letter attached hereto on a tri-annual basis. Each letter shall therefore be valid for three calendar years after its execution by a Responsible Person.

B. At its annual membership meeting, NRHS shall review the confidentiality policy. In addition, the Board, each committee of the Board, any ad hoc committee shall at their first meeting of the calendar year review the confidentiality policy, for the benefit of new members of the Board.

C. Each Responsible Person shall review this policy every three years, at or before the appropriate organizational meeting of the Board of Directors, and appropriate organizational meeting of the Advisory Council or upon their appointment, or service as an Alternate Representative. Any changes to the policy shall be communicated immediately to all Responsible Persons. Every third year, subsequent to the annual membership meeting, NRHS shall mail or email a copy of the conflicts of interest policy to each Responsible Person, and annually to the president of each active chapter, so that the policy may be provided to those appointed as Alternate Representatives prior to their participation.