

BYLAWS OF  
SMALL WARS FOUNDATION

**This document consolidates the initial Bylaws of the Foundation as adopted on October 12, 2009 and the changes from Amendment 1 of January 21, 2015, which appended Articles XI and XII. This constitutes a reference copy of the Bylaws in effect from January 21, 2015 forward.**

ARTICLE I — NAME AND PURPOSE

*Section 1 — Name:* The name of the organization shall be **Small Wars Foundation**. It shall be a nonprofit organization incorporated under the laws of the State of Virginia as a nonstock corporation.

*Section 2 — Purpose:* Small Wars Foundation (the "Foundation") is organized exclusively for charitable, educational, and literary purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

**The purpose of this Foundation is:**

- **to facilitate the exchange of information among practitioners, thought leaders, and students of small wars, in order to advance knowledge and capabilities in the field;**
- **to assist in the creation, capture, sharing, and application of knowledge of small wars;**
- **and ultimately to advance self-determination, freedom, and prosperity for those populations effected by the conduct of small wars.**

*Section 3 — Limitations.* No substantial part of the activities of the Foundation shall be carrying on propaganda, or otherwise attempting to influence legislation (except otherwise provided by Internal Revenue Code Section 501 (h)), or participating in, or intervening in (including the publication or distribution or statements), any political campaign on behalf of any candidate for public office. No part of the net earnings of the Foundation shall inure to the benefit of any member, trustee, Director, officer of the Foundation, or any private individual (except that reasonable compensation may be paid for services rendered to or for the Foundation), and no member, trustee, or officer shall be entitled to share in the distribution of any of the assets upon dissolution of the Foundation.

ARTICLE II — BOARD OF DIRECTORS

*Section 1 — Power and Duties of the Board:* The property and business of the Foundation shall be managed and controlled by a Board of Directors (the "Board") which shall exercise all the powers of the Foundation. The Board shall act in the name of the Foundation only when it is duly convened by its chairman after due notice to all Directors of such meeting. The Board may delegate duties to the officers of the Foundation to the full extent allowed by law.

*Section 2 — Board Composition, Terms, and Compensation:* The composition of the Board and the method of its election or appointment shall be as specified in the Articles of Incorporation. Directors shall serve terms as specified in the Articles of Incorporation and are eligible for unlimited re-election during their lifetime. The Board receives no compensation other than reasonable expenses. Nothing herein contained shall be construed to preclude any Director from serving the Foundation in any other capacity and receiving compensation therefor.

*Section 3 — Annual Meeting of the Board:* The Board shall meet annually on such date and at such time and place as may be fixed by the Chairman, or by resolution of the Board, by written notice delivered to each Director not less than two (2) weeks before such meeting. The annual meeting shall be the annual

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organizational meeting at which regular elections of new Directors shall occur, the new Board shall be organized, and the officers of the Foundation shall be elected by the Board or appointed by the Executive Director consistent with these Bylaws.

*Section 4 — Regular Meetings of the Board:* The Board is not required to meet in addition to its annual meeting, but may choose to do so. Regular meetings of the Board shall be held at such places and times as shall be determined by resolution of the Board at its annual meeting. Notice of such regular meetings of the Board shall not be required to be given, except that whenever the time or place of such regular meetings shall be changed, notice of such action shall be given promptly by telephone or otherwise to each Director not participating in such action.

*Section 5 — Special Meetings of the Board:* Special meetings of the Board may be called at any time by the Chairman of the Board or by a majority of the Directors, by written notice delivered to each Director not less than two (2) days before such meeting, to be held at such place and times as shall be specified in the notice. Only the business stated or summarized in the notice for the special meeting shall be discussed and voted upon at the meeting.

*Section 6 — Quorum:* A majority of all incumbent Directors shall constitute a quorum for the transaction of business. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board, unless the act of a greater number is required by the Articles of Incorporation or these Bylaws.

*Section 7 — Voting and Rules of Order:* Each Director shall have one vote and such voting may not be done by proxy. The Board may make such rules and procedures covering its meetings as it may in its discretion determine necessary.

*Section 8 — Director meeting via telephone conference:* Directors may appear at a meeting of the Board by means of telephone conference or similar communication system whereby all persons participating in the meeting can hear each other, and participation in a meeting in this manner shall constitute presence in person at the meeting. Furthermore, a Director appearing at a meeting of the Board via telephone conference shall also be allowed to vote by this medium. Furthermore, it is permissible for all Directors to appear at a meeting of the Board via telephone conference or similar communication system.

*Section 9 — Action by Consent:* Any action which is required to be or may be taken at a meeting of the Board may be taken without a meeting if consents in writing, setting forth the action so taken, are signed by all the Directors. The written consent may be executed in several identical counterparts by the Directors with the effect as if the Directors had executed a single document.

*Section 10 — Resignation, termination, and absences:* A Director may resign at any time by giving written notice to the Secretary, Chairman, or the Foundation. Any such resignation shall take effect at the time specified therein, or if no time be specified, upon receipt thereof. A Director may be removed prior to expiration of the current term only when sufficient cause exists for such removal and upon unanimous agreement of all other incumbent Directors. Excess unexcused absences from Board meetings constitutes sufficient cause for removal.

*Section 11 — Vacancies:* Vacancies in the Board may be filled in a regular or special meeting of the Board. Vacancies will be filled in the same manner by which new Directors are appointed. The term of any Director so elected shall be shortened to expire upon the last annual meeting falling within what would be the Director's full term.

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ARTICLE III — COMMITTEES

*Section 1 — Standing Committees.* The Foundation has no standing committees.

*Section 2 — Committee Formation:* The Board may form committees for specific purposes as it may determine, which shall consist exclusively of Directors. Committees shall keep proper minutes and records of their proceedings and may exercise such powers the Board may by resolution determine and specify in their respective charters and such other resolutions as the Board may adopt.

ARTICLE IV — OFFICERS

*Section 1 — Number, Election, and Term:* There shall be three officers of the Foundation, consisting of an Executive Director, Secretary, and Treasurer. The Board may establish such other officers with such titles and duties as it may determine are appropriate. The Board shall elect the Executive Director and may elect, or delegate to the Executive Director to appoint, the other officers. Any two or more offices may be held by the same person. Each officer shall hold office until the next annual meeting of the Board and until successors shall have been selected and qualified, or until death, resignation, or removal. The salaries of the officers of the Foundation shall be fixed from time to time by the Board. No officer shall be prevented from receiving such salary by reason of the fact that such officer is also a Director of the Foundation.

*Section 2 — Resignation, Removal, and Vacancies:* An officer may resign at any time by giving written notice to the Executive Director, with a copy to the Secretary. Any such resignation shall take effect at the time specified therein, or if no time be specified, upon receipt thereof. The Board may remove, either with or without cause, at any time, any officer or agent whenever in its judgment the best interest of the Foundation will be served thereby. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the Board for the unexpired portion of the term.

*Section 3 — Executive Director:* The Executive Director will be a Director of the Foundation and shall, by virtue of the office, be Chairman of the Board of Directors. The Executive Director shall have such powers as may be reasonably construed as belonging to the chief executive of any organization. The Executive Director, subject to the control of the Board, shall in general supervise and control all of the business and affairs of the Foundation.

*Section 4 — Chairman of the Board:* The Chairman of the Board of Directors, when present, shall preside at all meetings of the Board. The Board shall designate one of its members as Vice Chairman. In the absence of the Chairman, the Vice Chairman shall preside at all meetings of the Board.

*Section 5 — Secretary:* The Secretary shall keep or cause to be kept a record of all meetings of the Board and record all votes and the minutes of all proceedings in a book to be kept for that purpose. The Secretary shall give, or cause to be given, notice of all meetings of the Board, and shall perform such other duties as the Board or Executive Director may prescribe. The Secretary shall keep in safe custody the seal of the Foundation and shall affix the same to any instrument requiring it.

*Section 6 — Treasurer:* The Treasurer shall have charge and custody and be responsible for all funds and securities of the Foundation, assist in the preparation of the budget, keep full and accurate accounts of receipts and disbursements in books belonging to the Foundation, deposit all moneys and other valuable effects in the name and to the credit of the Foundation in such depositories as may be designated by the Board, and perform such other duties as the Board or Executive Director may prescribe. The Treasurer shall disburse the funds of the Foundation as may be ordered by the Board, taking proper vouchers for

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such disbursements, and shall render to the Directors, at the regular meetings of the Board, or whenever they may require it, an account of all transactions as treasurer and of the financial condition of the Foundation.

ARTICLE V - BOARD OF ADVISORS

*Section 1 — Purpose, Composition, and Term:* The Foundation shall constitute a Board of Advisors to provide advice and offer insights to the Directors and officers of the Foundation. The composition of the Board of Advisors and the method of its election or appointment shall be fixed from time to time by resolution of the Board of Directors.

*Section 2 — Limitations, Liability, and Indemnification:* Advisors are not Directors, officers, employees or agents of the Foundation, have no management responsibilities, and do not make decisions for the Foundation. Advisors shall have no fiduciary duty to the Foundation, and no duty other than to offer frank opinion from time to time. Advisors have no liability of any type for the Foundation's acts, or for their acts of either commission or omission arising from their roles as Advisors, excepting only those fraudulent or criminal acts which would reasonably constitute a liability of any person. The Foundation shall defend, indemnify, and hold harmless an Advisor from any claim, suit or liability arising from a third party because of their acts as an Advisor, excepting only those claims, suits or liabilities arising from acts of personal conduct incidental to the role of Advisor, such as, but not limited to, a traffic accident on the way to a Foundation meeting.

ARTICLE VI — SMALL WARS JOURNAL

*Section 1 — Ownership, Purpose, and Brand:* As one of its exempt activities and consistent with its purpose, the Foundation shall own and operate Small Wars Journal ("SWJ") under the established SWJ masthead, brand and market identity. The Board shall determine the appropriate legal and organizational structure for the operation of SWJ and its relationship to the Foundation, and may change the structure from time to time.

*Section 2 — Roles and Titles:* Unless and until the Board explicitly resolves differently: the Vice Chairman shall serve as Editor-in-Chief of SWJ; the Executive Director shall serve as Publisher of SWJ; the Vice Chairman and the Executive Director act under their SWJ titles with the weight of their authorities under the Foundation; the Vice Chairman or Executive Director may establish such other positions under SWJ with such titles and duties as they may determine are appropriate; however, no other position or title under SWJ shall have or imply any rights, privileges, responsibility, or authority as a Director, officer, employee, or agent of the Foundation.

ARTICLE VII — CONTRACTS, LOANS, AND PURCHASES

*Section 1 — Contracts:* The Board may authorize any officer or agent to enter into contracts on behalf of the Foundation. The authority may be general or confined to specific instances. Unless so authorized, all contracts must be authorized by a specific resolution of the Board.

*Section 2 — Loans:* All loans taken on behalf of the Foundation must be authorized by a specific resolution of the Board.

*Section 3 — Purchases:* All purchases and all checks, drafts, or other order for the payment of money, notes, or other evidence of indebtedness issued in the name of the Foundation shall be signed by such officer or agent of the Foundation as shall from time to time be determined by resolution of the Board.

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ARTICLE VIII — GENERAL PROVISIONS

*Section 1 — Offices:* The registered office of the Foundation shall be located at 15 Puri Lane, Stafford, Virginia 22554 or at such other place within the Commonwealth of Virginia as the Board from time to time designates. The principal office of the Foundation shall be located at such place within or without the Commonwealth of Virginia as the Board from time to time designates.

*Section 2 — Corporate Seal:* The Board shall prescribe the form of a suitable corporate seal, which shall contain the full name of the Foundation and the year and state of incorporation.

*Section 3 — Fiscal Year:* The fiscal year of the Foundation shall be the calendar year.

*Section 4 — Waiver of Notice:* Whenever notice shall be required to be given to a Director under the provisions of these Bylaws, or the Articles of Incorporation, or the provisions of State or Federal law, a written waiver thereof, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Further, attendance of a Director at any meeting shall constitute a waiver of notice of the meeting except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE IX — INDEMNIFICATION

*Section 1 — Indemnification of Directors and Officers:* To the fullest extent permitted by the laws of State of Virginia, including future amendments of those laws, the Foundation shall indemnify and hold harmless each Director and officer of the Foundation against any and all claims, liabilities, and expenses (including attorneys' fees, judgments, fines, and amounts paid in settlement) actually and reasonably incurred and arising from any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative, to which any such person shall have become subject by reason of having held such a position or having allegedly taken or omitted to take any action in connection with any such position. However, the foregoing shall not apply to: a) any breach of such person's duty of loyalty to the Foundation; b) any act or omission by such person not in good faith or which involves intentional misconduct or where such person had reasonable cause to believe the conduct was unlawful; or c) any transaction from which such person derived any improper personal benefit.

*Section 2 — Determination of Entitlement of Directors and Officers to Indemnification:* The decision concerning whether a Director or officer seeking indemnification has satisfied the provisions of the preceding section shall be made by (i) the Directors by a majority vote of a quorum consisting of Directors who are not parties to the action, suit, or proceeding giving rise to the claim for indemnity ("Disinterested Directors"), whether or not such majority constitutes a quorum; (ii) if there are no Disinterested Directors, or if the Disinterested Directors so direct, by independent legal counsel in a written opinion.

*Section 3 — Indemnification of employees and agents:* The Directors may, in such cases as, in its complete discretion, it deems appropriate, indemnify and hold harmless employees and agents of the Foundation, and persons who formerly held such positions against any or all claims and liabilities (including reasonable legal fees and other expenses incurred in connection with such claims or liabilities) to which any such person shall have become subject by reason of having held such a position or having allegedly taken or omitted to take any action in connection with such position.

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ARTICLE X — AMENDMENTS

*Section 1* — These Bylaws may be amended on prior notice at any meeting of this Foundation, by a three-fourths vote of the Directors present and constituting a quorum, provided that notice of the proposed change was provided with all notices of the meeting.

ARTICLE XI - IRC 501(C)(3) TAX EXEMPTION PROVISIONS

*Section 1 – Limitation of Activities:* No substantial part of the activities of this corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation (except as otherwise provided by Section 501(h) of the Internal Revenue Code), and this corporation shall not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of, or in opposition to, any candidate for public office.

Notwithstanding any other provisions of these bylaws, this corporation shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Internal Revenue Code.

*Section 2 – Prohibition Against Private Inurement:* No part of the net earnings of this corporation shall inure to the benefit of, or be distributable to, its members, directors or trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes of this corporation.

*Section 3 – Distribution of Assets:* Upon the dissolution of this corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation, shall be distributed for one or more exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code or shall be distributed to the federal government, or to a state or local government, for a public purpose. Such distribution shall be made in accordance with all applicable provisions of the laws of this state.

*Section 4 – Private Foundation Requirements and Restrictions:* In any taxable year in which this corporation is a private foundation as described in Section 509(a) of the Internal Revenue Code, the corporation 1) shall distribute its income for said period at such time and manner as not to subject it to tax under Section 4942 of the Internal Revenue Code; 2) shall not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code; 3) shall not retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code; 4) shall not make any investments in such manner as to subject the corporation to tax under Section 4944 of the Internal Revenue Code; and 5) shall not make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code.

ARTICLE XII - CONFLICT OF INTEREST AND  
COMPENSATION APPROVAL POLICIES

*Section 1 – Purpose of Conflict of Interest Policy:* The purpose of this conflict of interest policy is to protect this tax-exempt corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the corporation or any "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations and which might result in a possible "excess benefit

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transaction" as defined in Section 4958(c)(1)(A) of the Internal Revenue Code and as amplified by Section 53.4958 of the IRS Regulations. 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.

*Section 2 – Definitions:*

- (a) Interested Person. Any director, principal officer, member of a committee with governing board delegated powers, or any other person who is a "disqualified person" as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations, who has a direct or indirect financial interest, as defined below, is an interested person.
- (b) Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment, or family: (1) An ownership or investment interest in any entity with which the corporation has a transaction or arrangement; (2) A compensation arrangement with the corporation or with any entity or individual with which the corporation has a transaction or arrangement; or (3) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the corporation 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 Section 3, paragraph B, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

*Section 3 – Conflict of Interest Avoidance Procedures: 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 governing board delegated powers considering the proposed transaction or arrangement.

- (a) 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 governing 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.
- (b) Procedures for Addressing the Conflict of Interest. An interested person may make a presentation at the governing 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.

The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the governing board or committee 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.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the corporation's best

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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.

- (c) Violations of the Conflicts of Interest Policy. 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.

If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing 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.

*Section 4 – Records of Board and Board Committee Proceedings:* The minutes of meetings of the governing 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 governing 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.

*Section 5 – Compensation Approval Policies:* A voting member of the governing board who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that member's compensation.

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

When approving compensation for directors, officers and employees, contractors, and any other compensation contract or arrangement, in addition to complying with the conflict of interest requirements and policies contained in the preceding and following sections of this article as well as the preceding paragraphs of this section of this article, the board or a duly constituted compensation committee of the board shall also comply with the following additional requirements and procedures:

- (a) the terms of compensation shall be approved by the board or compensation committee prior to the first payment of compensation;
- (b) all members of the board or compensation committee who approve compensation arrangements must not have a conflict of interest with respect to the compensation arrangement as specified in IRS Regulation Section 53.4958-6(c)(iii), which generally requires that each board member or committee member approving a compensation arrangement between this organization and a "disqualified

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person" (as defined in Section 4958(f)(1) of the Internal Revenue Code and as amplified by Section 53.4958-3 of the IRS Regulations): (1) is not the person who is the subject of the compensation arrangement, or a family member of such person; (2) is not in an employment relationship subject to the direction or control of the person who is the subject of the compensation arrangement; (3) does not receive compensation or other payments subject to approval by the person who is the subject of the compensation arrangement; (4) has no material financial interest affected by the compensation arrangement; and (5) does not approve a transaction providing economic benefits to the person who is the subject of the compensation arrangement, who in turn has approved or will approve a transaction providing benefits to the board or committee member.

- (c) the board or compensation committee shall obtain and rely upon appropriate data as to comparability prior to approving the terms of compensation. Appropriate data may include the following: (1) compensation levels paid by similarly situated organizations, both taxable and tax-exempt, for functionally comparable positions. "Similarly situated" organizations are those of a similar size, purpose, and with similar resources; (2) the availability of similar services in the geographic area of this organization; (3) current compensation surveys compiled by independent firms; (4) actual written offers from similar institutions competing for the services of the person who is the subject of the compensation arrangement; As allowed by IRS Regulation 4958-6, if this organization has average annual gross receipts (including contributions) for its three prior tax years of less than \$1 million, the board or compensation committee will have obtained and relied upon appropriate data as to comparability if it obtains and relies upon data on compensation paid by three comparable organizations in the same or similar communities for similar services.
- (d) the terms of compensation and the basis for approving them shall be recorded in written minutes of the meeting of the board or compensation committee that approved the compensation. Such documentation shall include: (1) the terms of the compensation arrangement and the date it was approved; (2) the members of the board or compensation committee who were present during debate on the transaction, those who voted on it, and the votes cast by each board or committee member; (3) the comparability data obtained and relied upon and how the data was obtained; (4) If the board or compensation committee determines that reasonable compensation for a specific position in this organization or for providing services under any other compensation arrangement with this organization is higher or lower than the range of comparability data obtained, the board or committee shall record in the minutes of the meeting the basis for its determination; (5) If the board or committee makes adjustments to comparability data due to geographic area or other specific conditions, these adjustments and the reasons for them shall be recorded in the minutes of the board or committee meeting; (6) any actions taken with respect to determining if a board or committee member had a conflict of interest with respect to the compensation arrangement, and if so, actions taken to make sure the member with the conflict of interest did not affect or participate in the approval of the transaction (for example, a notation in the records that after a finding of conflict of interest by a member, the member with the conflict of interest was asked to, and did, leave the meeting prior to a discussion of the compensation arrangement and a taking of the votes to approve the arrangement); (7) The minutes of board or committee meetings at which compensation arrangements are approved must be prepared before the later of the date of the next board or committee meeting or 60 days after the final actions of the board or committee are taken with respect to the approval of the compensation arrangements. The minutes must be reviewed and approved by the board and committee as reasonable, accurate, and complete within a reasonable period thereafter, normally prior to or at the next board or committee meeting following final action on the arrangement by the board or committee.

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*Section 6 – Annual Statements:* Each director, principal officer, and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- (a) has received a copy of the conflicts of interest policy;
- (b) has read and understands the policy;
- (c) has agreed to comply with the policy; and
- (d) understands the corporation 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.

*Section 7 – Periodic Reviews:* To ensure the corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews 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 corporation'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.

*Section 8 – Use of Outside Experts:* When conducting the periodic reviews, the corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.