

URBAN SOIL / TIERRA URBANA CONFLICT OF INTEREST POLICY

1 Purpose. The purpose of this conflict of interest policy is to protect the Cooperative's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of one of its Officers or Directors, or that might otherwise result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable California and federal laws applicable to nonprofit charitable corporations and is not intended as an exclusive statement of responsibilities.

2 Definitions. Unless otherwise defined, the terms used in this Article 11 have the following meanings:

- i. "Interested Persons" – Any Director, principal officer, or member of a committee with Board-delegated powers, which has a direct or indirect financial interest, as defined below, is an Interested Person.
- ii. "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 Cooperative has a transaction or arrangement;
 - 2) A compensation arrangement with the Cooperative or with any entity or individual with which the Cooperative 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 Cooperative is negotiating a transaction or arrangement.

Compensation includes direct and indirect payment for goods or services as well as gifts or favors that are not insubstantial. A Financial Interest is not necessarily a conflict of interest. A person who has a Financial Interest may have a conflict of interest only if the Board of Directors, or a committee thereof, decides that a conflict exists pursuant to the procedures set forth below.

3 Procedures.

(a) 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, who are considering the proposed

transaction or arrangement.

(b) Determining Whether a Conflict of Interest Exists - After disclosure of the Financial Interest and all material facts, and after any discussions with the Interested Person, the Interested Person shall leave the Board Meeting while the determination of a conflict of interest is discussed and considered. The remaining members of the Board of Directors shall decide if a conflict of interest exists using the Consensus Decision-Making Process.

(c) Procedure for Addressing the Conflict of Interest - In the event that the Board of Directors determines that a proposed transaction or arrangement presents a conflict of interest, the Board of Directors shall take the following actions:

- 1) An Interested Person may make a presentation at the Board Meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the Consensus Decision-Making Process regarding, the transaction or arrangement involving the possible conflict of interest.
- 2) The Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- 3) After exercising due diligence, the Board shall determine whether the Cooperative 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.
- 4) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Directors (excluding the Interested Person(s)), using the Consensus Decision-Making Process, shall determine whether the transaction or arrangement is in the Cooperative's best interest, for its own benefit, and whether it is fair and reasonable. It shall make its decision as to whether to enter into the transaction or arrangement in conformity with this determination.

4 Violations of the Conflict of Interest Policy.

(a) If the Board of Directors has reasonable cause to believe an Interested Person has failed to disclose actual or possible conflicts of interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.

(b) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board of Directors determines the Interested Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary

and corrective action.

11.5 Records and Procedures. The minutes of the Board of Directors 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 of Director's decision as to whether a conflict of interest in fact existed.

(b) The names of the persons who were present for discussions and the Consensus Decision-Making Process 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 Consensus Decision-Making Process in connection with the proceedings.

(c) Annual Statements - Each Director, principal officer and member of a committee with Board-delegated powers shall annually sign a statement which affirms such person:

- i. Has received a copy of this conflict of interest policy;
- ii. Has read and understands the policy;
- iii. Has agreed to comply with the policy; and
- iv. Understands that the Cooperative 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.