

UTAH DEFENSE ALLIANCE, INC.
Adopted June 18, 2007

Conflicts of Interest Policy

- 1) *Purpose.* The purpose of this conflict of interest policy is to protect Utah Defense Alliance, Inc.'s ("UDA") interest when it is contemplating entering into a transaction or arrangement that might benefit the financial interest of an officer or director of UDA or might result in a possible excess benefit transaction.
- 2) *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) *Interested person.* Any director, principal officer, or member of a committee with governing board delegated powers, 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:
 - i) an ownership or investment interest in any entity with which UDA has a transaction or arrangement;
 - ii) an employment or compensation arrangement with UDA or with any entity or individual with which UDA has a transaction or arrangement, or
 - iii) a potential ownership or investment interest in, or compensation arrangement with any entity or individual with which UDA is negotiating a transaction or arrangement.
 - c) *Compensation.* Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.
 - d) *Possible excess benefit transaction.* A transaction in which an economic benefit is provided by UDA, directly or indirectly, to or for the use of a disqualified person, and the value of the economic benefit provided by UDA exceeds the value of the consideration received by UDA from the disqualified person is a possible excess benefit transaction.
 - e) *Disqualified person.* A disqualified person, regarding any transaction, is any person who was in a position to exercise substantial influence over the affairs of UDA at any time during a 5-year period ending on the date of the transaction. Persons who hold certain powers, responsibilities, or interests are among those who are in a position to exercise substantial influence over the affairs of the organization.
- 3) *Determining whether a conflict of interest exists.* 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 decides that a conflict of interest exists. After disclosure of the person's financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board meeting. The remaining board or committee members shall discuss and decide if a conflict of interest exists.

- 4) *If a conflict of interest exists then:*
 - a) *Presentation.* 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 vote on, the transaction or arrangement involving the possible conflict of interest.
 - b) *Due diligence.* The governing board or committee shall engage in discussion and determine whether UDA 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.
 - i) If the Board decides that a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest is reasonably possible, then the Board President shall appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement. The disinterested person or committee shall report at the next Board meeting a recommendation on whether there is a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest is reasonably possible and the Board shall discuss and decide how to proceed.
 - ii) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is (1) in UDA's best interest, (2) for its own benefit, and (3) whether it is fair and reasonable.
- 5) *Procedure for violations of a conflict of interest.* If any Board member has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, they shall bring attention to the Board President who shall inform the alleged violating member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose to the Board. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board determines the member has failed to disclose an actual or possible conflict of interest, the Board shall determine appropriate disciplinary and corrective action.
- 6) *Records of conflict of interest proceedings.* The minutes 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.
- 7) *Voting.* A voting member of the governing board who receives compensation or has a financial interest or might receive a possible excess benefit, directly or indirectly,

from UDA is precluded from voting on matters pertaining to that transaction or arrangement.

- 8) *Affirmation.* Each director, principal officer and member of a committee with governing board delegated powers shall sign or positively respond to an e-mail stating and affirming 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 UDA 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.

The undersigned, Ken Warnick, certifies that I am the duly appointed secretary of Utah Defense Alliance, Inc. and that the above is a true and correct copy of the Conflicts of Interest policy adopted at the meeting of the Directors, thereof, convened and held in accordance with the Bylaws of Utah Defense Alliance, Inc. on June 18, 2007, and that such policy is now in full force and effect.

IN WITNESS THEREOF, I have affixed my name as secretary of Utah Defense Alliance, Inc. to this original copy of the Conflicts of Interest policy on this ____ day of _____, 2007.

Ken Warnick, Secretary