

**CONFLICT OF INTEREST POLICY
OF
RURAL SOLUTIONS
(a Colorado nonprofit corporation)**

**ARTICLE I
PURPOSE**

The purpose of this conflict of interest policy (this “Policy”) is to protect the interests of Rural Solutions, a Colorado nonprofit corporation (the “Corporation”), when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a member of the Board of Directors (the “Board”) of the Corporation or a person that may be a so-called “disqualified person,” within the meaning of Section 4958(f)(1) of the Internal Revenue Code of 1986, as amended (the “Code”). This Policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit organizations, and it shall be interpreted in a manner consistent with the limitations and restrictions imposed under applicable tax laws.

**ARTICLE II
DEFINITIONS**

Section 1. **Interested Person.** Any director, principal officer, or member of any committee with Board-delegated powers who has a direct or indirect financial interest, as defined below, and any “organization manager,” within the meaning of Section 4958(f)(2) of the Code, is an “interested person,” for purposes of this Policy.

Section 2. **Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- (a) An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement;
- (b) A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement; or
- (c) 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.

**ARTICLE III
PROCEDURES**

Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest to the Board and members of committees with any Board-delegated powers considering the proposed transaction or arrangement.

Section 3. **Determining Whether a Conflict of Interest Exists.** After disclosure of the financial interest, the interested person shall leave the Board or committee meeting while the

financial interest is discussed and voted upon. The remaining directors or committee members shall decide if a conflict of interest exists.

Section 4. Procedures for Addressing the Conflict of Interest.

(a) The interested person may make a presentation at the Board or committee meeting but, after the presentation, the interested person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

(b) The disinterested directors or committee members shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(c) After exercising due diligence, the disinterested directors or committee members shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

(d) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the disinterested directors or committee members shall determine by a majority vote, whether the transaction or arrangement is in the Corporation's best interest, is for its own benefit, and is fair and reasonable to the Corporation, in accordance with the provisions of Treasury Regulations Section 53.4958-6. The disinterested directors' or committee members' decision as to whether to enter into the transaction or arrangement must be made in conformity with such determination.

Section 5. Violations of the Conflict of Interest Policy.

(a) If the disinterested directors have reasonable cause to believe that the interested director has failed to disclose an actual or possible conflict of interest, the disinterested directors shall inform the interested director of the basis for such belief and afford the interested director an opportunity to explain the alleged failure to disclose.

(b) If, after hearing the response of the interested director and making such further investigation as may be warranted in the circumstances, the disinterested directors determine that the interested director has, in fact, failed to disclose an actual or possible conflict of interest, they shall take appropriate disciplinary and corrective action.

**ARTICLE IV
RECORDS OF PROCEEDINGS**

The minutes of the Board of Directors meetings and the minutes of all meetings of 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 disinterested directors' decision as to whether a conflict of interest in fact existed; and

(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 therewith.

ARTICLE V COMPENSATION COMMITTEES

A director or 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 director's or member's compensation.

Individuals who receive compensation, directly or indirectly, from the Corporation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters.

ARTICLE VI ANNUAL STATEMENTS

Each director, principal officer, and member of a committee with Board-delegated powers shall annually sign a statement which affirms that such person:

- (a) Has received a copy of the Policy;
- (b) Has read and understands the Policy;
- (c) Has agreed to comply with the Policy; and

(d) Understands that the Corporation is a charitable organization and that in order to maintain the Corporation's federal tax exemption, the Corporation must engage primarily in activities which accomplish one or more of the Corporation's tax-exempt purposes.

ARTICLE VII PERIODIC REVIEWS

To ensure that the Corporation operates in a manner consistent with the Corporation's charitable purposes and that the Corporation does not engage in activities that could jeopardize the Corporation's status as an organization exempt from federal income tax, periodic reviews shall be conducted by the directors or individuals appointed by the directors. The periodic reviews shall, at a minimum, include the following subjects:

(a) Whether compensation arrangements and benefits of interested persons are reasonable and are the result of arm's-length bargaining; and

(b) Whether each partnership, joint venture, and contractor services arrangement between the Corporation and any non-charitable organization conforms to the written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes, and do not result in inurement or impermissible private benefit.

**ARTICLE VIII
USE OF OUTSIDE EXPERTS**

In conducting the periodic reviews provided for in ARTICLE VII of this Policy and in making any determinations of whether compensation and any property transfer arrangements are reasonable, the Corporation may, but need not, use outside advisors and may rely on the advice of legal counsel. If outside experts are used, their use shall not relieve the directors of their responsibility for ensuring that periodic reviews are conducted.

**ARTICLE IX
AVOIDANCE OF EXCESS BENEFIT TRANSACTIONS**

To ensure that the Corporation operates in a manner that precludes the participation of the Corporation in any “excess benefit transaction” within the meaning of Section 4958 of the Code, the directors shall be required to annually maintain and update a current list of (i) the “disqualified persons” with whom the Corporation may have dealings, and (ii) the “organization managers” of the Corporation.

Each director, officer, and any other person identified as an “organization manager” shall certify annually to the Corporation in writing that they have not knowingly participated in an excess benefit transaction.

Adopted this 6th day of August, 2008.

**ANNUAL CONFLICT OF INTEREST ACKNOWLEDGEMENT STATEMENT
AND EXCESS BENEFIT TRANSACTION STATEMENT
FOR
RURAL SOLUTIONS
(a Colorado nonprofit corporation)**

In accordance with ARTICLE VI and ARTICLE IX of the Conflict of Interest Policy (the “Policy”), the undersigned director, officer, and member of committees with Board-delegated powers of Rural Solutions, a Colorado nonprofit corporation (the “Corporation”), hereby attest and affirm that each of them

1. Has received a copy of the Policy;
2. Has read and understands the Policy;
3. Has agreed to comply with the Policy;
4. Understands that the Corporation is a charitable organization and that, in order to maintain the Corporation’s federal tax exemption, the Corporation must engage primarily in activities which accomplish one or more of the Corporation’s tax-exempt purposes; and
5. Has not knowingly participated in an “excess benefit transaction” as defined in Section 4958(c) of the Internal Revenue Code, as amended.

Board Director

Date