

CONFLICT OF INTEREST POLICY

Article I: Purpose

The purpose of the conflict-of-interest policy is to protect the Kentucky Derby Festival Foundation's (the "Organization") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an active member of the Board of Directors or employee of the Organization or might result in a possible excess benefit transaction. 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.

Article II: Definitions

1. Interested Person: Any active member of the Board of Directors or employee of the Organization who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial Interest: A person has a financial interest if the person has, directly or indirectly, through business, employment, investment, or family:
 - a. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement.
 - b. A compensation arrangement with the Organization or with any entity or individual with which the Organization 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 Organization 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 Article III, Section 2, 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.

Article III: Procedures

1. The Board Officers of the Organization shall be tasked with reviewing and making determinations on all actual or possible conflicts of interest relating to active members of the Board of Directors. The Board Officers shall report their findings to the Executive Board of the Member. If a determination cannot be made by the Board Officers, the Executive Board of the Member shall make a final determination on the issue.

The President & CEO of the Organization shall be tasked with reviewing and making determinations on all actual or possible conflicts of interest relating to employees of the Organization.

2. Duty to Disclose: In connection with any actual or possible conflict of interest, an interested person who is an active member of the Board of Directors must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Board Officers.
 - 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 meeting while the determination of a conflict of interest is discussed and voted upon. The Board Officers shall decide if a conflict of interest exists.
 - b. Employees of the Organization shall disclose the financial interest and all material facts to the President & CEO. After discussion with the employee, the President & CEO shall make a determination as to whether a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest:
 - a. An interested person who is an active member of the Board of Directors may make a presentation to the Board Officers, 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. The Chair of the Board of Directors, if appropriate, may appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - c. After exercising due diligence, the Board Officers shall determine whether the Organization 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.
 - d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best 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.
 - e. If the Board Officers are unable to determine whether a conflict of interest exists, the issue shall then be passed to the Executive Board of the Member.

- f. The interested party may make a presentation to the Executive Board of the Member, 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.
4. Violation of the Conflicts of Interest Policy:
- a. If the Board Officers or Executive Board of the Member 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.
 - b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board Officers or Executive Board of the Member determines the member has failed to disclose an actual or possible conflict of interest, appropriate disciplinary and corrective action shall be taken by the Executive Board of the Member.
 - c. If the President & CEO determines that an employee has failed to disclose an actual or possible conflict of interest, appropriate disciplinary and correction action shall be taken by the President & CEO.