



# USEA CONFLICT OF INTEREST POLICY

*Approved August 18, 2007*

The members of the Board of Governors, principal officers, and members of task forces and committees (collectively “Leaders”) with Board-delegated powers owe duties of care, loyalty, and obedience to the USEA (the “Association”). “Leaders” include USEA appointees at the Area as well as the national level (including without limitation Area Chairmen, Area Treasurers, Young Rider and Adult Rider Coordinators and committee members, and members of Area Councils) and can also include paid personnel as well as volunteers.

One aspect of fulfilling those duties is to identify and resolve actual and apparent conflicts of interest. A conflict of interest is any impediment to being loyal to the Association. This includes situations where a Leader has a conflicting interest in or allegiance to another entity or individual (e.g., having a financial interest directly, or through a family member, in a transaction with the Association or affected by the Association’s actions or lack of action) and situations where the Leader performs compensated services for an entity or individual whose activities are regulated in any way by the Association (e.g., a Governor working on the scheduling of a group’s event and then rendering paid services for that group).

In the event of a conflict of interest, the Leader must disclose such conflict to the Board, Committee, Task Force, Area Council or other USEA group with whom the Leader works (the “Relevant Group”) at the time the conflict situation arises. The remaining members of the Relevant Group without any conflict in the matter shall determine the extent to which the conflicted Leader may participate in any discussion, and whether that Leader may vote on the matter.

If there is uncertainty as to whether a conflict exists, the Leader and/or other members of the Relevant Group are encouraged to consult with the CEO and/or the chairman of the Legal Committee in order to seek clarification.

If at any time a Relevant Group has reasonable cause to believe a Leader working with it has failed to disclose or to resolve actual or possible conflicts of interest, after providing an opportunity to explain the alleged failure and making any further investigation as warranted in the circumstances, such failure shall be reported to the Association’s Board of Governors, and the Governors without any conflict in the matter may take appropriate disciplinary and/or corrective action.

## **USEA INTERMEDIATE SANCTIONS COMPLIANCE POLICY**

Under the “Intermediate Sanctions” federal tax law, Directors (i.e. Governors) of 501(c)(3) organizations are not permitted to knowingly provide an organizational “insider” with any ‘excess benefit.’ An “insider” is considered to be any Governor, principal officer, Board committee member, or other person who was in a position within the past five years to exercise substantial influence over the affairs of the Association, and includes that person’s family members. In the context of the USEA, insiders will include appointees at the Area level as well as the national level (including without limitation Area Chairmen, Area Treasurers, Young Rider and Adult Rider Coordinators/Committee Members, and Area Council Members, as well as their family members), and includes paid personnel as well as volunteers. An excess benefit is considered to be the provision of more than fair market value.

If a Governor knowingly provides an insider with an excess benefit, the IRS can impose a 10% tax (up to \$20,000) upon any Governors who knowingly approve such an improper transaction and a tax of 25% (increasing to 200%

if the benefit was not voluntarily returned!) upon the insider who receives the excess benefit. Governors are jointly and severally liable, meaning any one director can be held liable for it all.

To help fulfill the requirements of the federal Intermediate Sanctions tax law, it is the policy of the Association, before doing business with any insider, to:

(1) Have a committee of Governors unrelated to and not subject to the control of the Insider, review and approve the decision.

(2) Have the committee comparison shop, to help ensure that its decision is comparable to transactions by similarly situated organizations, whether taxable or tax exempt, regarding such factors as comparability of positions, geographic location of the organization, independent salary surveys; and,

(3) Create contemporaneous documentation of how the committee made its decision.

(4) At the Area Level, the procedures specified in paragraphs (1) through (3) above shall be carried out by a committee of the Area Council that is unrelated to and not subject to the control of the insider. Such committee shall then report and document their deliberations and findings to the Vice President of Area Affairs, who shall then report to the Board of Governors.

#### **U.S. EVENTING ASSOCIATION COMPENSATION ARRANGEMENTS POLICY**

In establishing an award of compensation for any Board member, or for establishing the level of award or compensation of any Leader, member, staff, or other personnel in excess of \$50,000, the Association shall:

(1) Approve and document the date and terms of all compensation arrangements in advance of paying such compensation;

(2) Record in writing the decision made by each Board member; and,

(3) Use compensation information from similarly-situated organizations and salary surveys, and note the source of such information.