**CONFLICT OF INTEREST POLICY**

**ARTICLE I**

**PURPOSE**

The charitable purpose and tax exempt status of a nonprofit organization includes a duty to maintain the public trust. Further, it is the goal of Mercy Chefs, Inc. (the "Corporation”), a Virginia nonstock corporation, to conduct its affairs with a commitment to honesty and integrity. This Conflict of Interest Policy ("Policy") is to promote the standards of the Corporation and to protect its interest when it is contemplating entering into a transaction or arrangement that might benefit (or be perceived to benefit) the private interest of an officer or director of the Corporation or certain other persons. Each officer, director, committee member and employee has a full-time responsibility to the Corporation and shall strive to avoid conflicts of interest. This policy encourages the avoidance of conflicts of interest and is to supplement but not replace any applicable Virginia or federal laws governing conflicts of interest pertinent to nonprofit and charitable organizations.

**ARTICLE II**

**DEFINITIONS**

(a) “Interested Person” means a Covered Person who may financially benefit from a transaction with the Corporation or who possesses a Financial Interest, as defined below.

(b) "Covered Person" includes any director, principal officer, member of a committee with governing board delegated powers, employee, and, as defined below, major donors, insiders, and close relatives.

(c) "Close Relatives" includes (a) a spouse, child (natural or adopted), parent and step-parent, in-laws (father, mother, brother and sister in-laws), grandchild, grandparent, brother or sister, or (b) any other person who shares living quarters or who is financially dependent upon a director, principal officer, member of a committee with governing board delegated powers, employee, major donors, or insiders.

(d) "Insiders" are persons who (a) are privy to any material information that is identified as confidential and proprietary, pertaining to the business and affairs of the Corporation, whether related to a specific transaction or to matters pertaining to the Corporation's interest, activities, and policies, and (b) by virtue of their involvement with the Corporation, could be placed in a conflict situation or could give the appearance of having the ability to unduly influence the Corporation. This could potentially include an independent contractor and former directors, officers, employees, and volunteers.

(e) "Major Donor" includes an individual, corporation, or foundation that makes a gift or pledge either in cash, appreciated securities, other assets or in land, easement, or bargain-sale value of Ten Thousand Dollars ($10,000.00) or more at any one time or cumulatively within a five year period prior to the occurrence of the conflict.

(f) "Related Party Transaction" means a transaction involving any corporation, partnership, trust, estate, joint venture, and unincorporated affiliation of any kind as well as public boards and commissions and not-for-profit organization in which a Covered Person, directly or indirectly:

(1) owns or controls 5.00 % or more of any voting security; or

(2) is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, or otherwise serves in a fiduciary capacity or holds a substantial beneficial interest; or

(3) has legal or de facto power to control the election of a majority of directors; or

(4) has legal or de facto power to exercise a controlling influence over the management or policies.

(g) “Financial Interest” means the Covered Person possesses, directly or indirectly, through business, investment, family, or otherwise:

(1) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement,

(2) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation 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 Corporation is negotiating a transaction or arrangement.

(h) “Compensation” includes direct and indirect payments as well as material gifts or favors.

A Financial Interest or a Related Party Transaction is not necessarily a conflict of interest. A person who has a Financial Interest or any Related Party Transaction has a conflict of interest only if the appropriate governing board or committee of the Corporation decides that a conflict of interest exists.

**ARTICLE III**

**PROCEDURES**

(a) Duty to Disclose. Interested Person must disclose the existence of a Financial Interest or Related Party Transaction and be given the opportunity to disclose all material facts to the Corporation's Board of Directors ("Board").

(b) Procedures for Addressing a Potential Related Party Transaction and a Conflict of Interest.

(1) Determination of a Conflict of Interest. Unless specifically addressed elsewhere in this Policy,

(a) An Interested Person may make a presentation at the Board's meeting, but after the presentation, he shall leave the meeting during the discussion of and the vote on the transaction involving the possible conflict of interest. The Board shall decide if a conflict of interest exists. A vote by a majority of the directors present, after the Interested Person leaves the Board meeting, determining that there is a conflict of interest shall be proof that such conflict of interest exists. For purposes of voting on a potential conflict of interest, if the Interested Person is a director, the director must excuse himself from any meeting while the Board discusses the proposed conflict of interest and must abstain from any vote regarding the proposed conflict of interest.

(b) If there is deemed to be no conflict of interest, the proposed transaction may commence.

(c) If there is deemed to be a conflict of interest:

(i) The Board shall exercise due diligence to investigate alternatives to the proposed transaction. The Board shall consider:

(a) the reasonableness of compensation arrangements and benefits, based on competent survey information and the result of arm’s length bargaining; and

(b) whether the transaction conforms with the Corporation’s written policies, reflects reasonable investments or payments for goods and services, furthers charitable purposes and does not result in inurement or impermissible private benefit.

If deemed appropriate by the Board, the president or chairman of the Board shall appoint a disinterested person or committee to perform the due diligence.

(ii) After completing the due diligence, the Board, excluding the Interested Person, shall determine whether the Corporation can reasonably obtain a more advantageous transaction for the Corporation from a person or entity that would not cause a conflict of interest.

(iii) If a more advantageous transaction is not reasonably possible under circumstances that would not produce a conflict of interest, the Board, excluding the Interested Person, shall determine by a majority vote of the disinterested directors whether the transaction is in the Corporation’s best interest, for its own benefit, and whether it is fair and reasonable.

(a) If the transaction is in the Corporation's best interest, for its own benefit, and is fair and reasonable, the transaction may commence.

(b) If the transaction is not in the Corporation’s best interest, for its own benefit, and is fair and reasonable, the transaction shall not commence and to the extent it has already commenced, the transaction will be deemed void and all costs paid by the Corporation shall be refunded by the Interested Party.

(c) Violations of the Conflicts of Interest Policy.

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

(2) If, after hearing the Interested Person’s response and after making further investigation as warranted by the circumstances, the Board, excluding the Interested Person, determines the Interested Person has failed to disclose a Related Party Transaction or an actual or possible conflict of interest, it shall take disciplinary and corrective action as deemed appropriate in light of the surrounding facts and circumstances.

**ARTICLE IV**

**RECORDS OF PROCEEDINGS**

The minutes of the Board shall contain:

(a) the names of the persons who disclosed or were found to have a Financial Interest or Related Party Transaction in connection with an actual or possible conflict of interest,

(b) the nature of the Related Party Transaction or Financial Interest,

(c) any action taken to determine whether a conflict of interest was present,

(d) the Board's determination on whether a conflict of interest in fact existed,

(e) the names of the persons who were present for discussions and votes relating to the transaction,

(f) the content of the discussion, including any alternatives to the proposed transaction, and

(g) a record of any votes taken in connection with the proceedings.

**ARTICLE V**

**COMPENSATION**

The Corporation may reasonably compensate Covered Persons with for services used to carry out the Corporation's charitable purposes. In determining compensation for directors or officers the Board shall adhere to the following guidelines:

(a) A director or officer who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that director or officer’s compensation.

(b) A director or officer on 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 or officer’s compensation.

(c) No director or officer whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee or the Board regarding compensation.

**ARTICLE VI**

**ANNUAL STATEMENTS**

Each director and officer shall annually sign a statement which affirms that 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 that the Corporation is charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

**ARTICLE VII**

**PERIODIC REVIEWS**

To ensure the Corporation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, the Board shall conduct periodic reviews of all Related Party Transactions.

**ARTICLE VIII**

**USE OF OUTSIDE ADVISORS**

When conducting the periodic reviews, the Corporation may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.