

HEROES FOR HEROES INC. D/B/A SONS OF THE FLAG

POLICY ON CONFLICTS OF INTEREST AND DISCLOSURE OF CERTAIN INTERESTS

ARTICLE I

PURPOSE

The purpose of the conflict of interest policy is to protect Heroes for Heroes Inc. d/b/a Sons of the Flag's (the "Organization") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. The fundamental principles are full disclosure of potential conflicts of interest, abstention of the interested person from any action by or on behalf of the Organization where a conflict exists, and the making of all such decisions solely on the basis of the best interests of the Organization. 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 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.

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 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. Duty to Disclose

It is the policy of the Organization to assure that any conflicts of interest or potential conflicts of interest are fully disclosed to the Board of Directors (the “board”) or relevant committee before a decision is made or before the Organization enters into a proposed transaction. 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. It shall be the continuing responsibility of all directors and officers to review their outside business or professional interests, personal interests, and family and other relationships for actual or potential conflicts of interest with respect to the Organization, and where such conflicts exist or arise, to immediately disclose to the board the nature of the interest or relationship.

2. 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 governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists. For purposes of this policy, the following financial interests shall not be deemed to be or create a conflict of interest: checking, savings or investment accounts, individual retirement accounts, pension or retirement plan accounts or payments, or loans of an interested person that are held or made by an independent financial or investment institution in the normal and ordinary course of its retail business with the general public where the interested person receives no more favorable treatment than is available to the public or other non-interested persons.

3. Procedures for Addressing the Conflict of Interest

- a. An interested person may make a presentation at the governing board or committee 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. In the event all members of the governing board or committee are interested persons, the governing board or committee shall obtain and examine comparable data on all proposed transactions or arrangements involving the possible conflict of interest or may employ the alternative option under Section 4 below.
- c. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- d. After exercising due diligence, the governing board or committee 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.
- e. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or

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.

4. Alternative Procedure for Addressing the Conflict of Interest

- a. In recognition that all, or a significant portion, of the Organization's governing body may be comprised of interested persons, this alternative procedure, as set forth in subparagraph 4(b) below, may be used in those circumstances where the governing board or committee are unable to obtain comparable data or believe its ability to act in an objective manner is impacted, or may reasonably appear to be impacted, by the number of interested persons.
- b. If the members of the governing board or committee determine that all of them are unable, with respect to a particular transaction or arrangement, to act in a disinterested and objective manner, the directors or the governing board or committee may appoint a committee comprised of advisors to the Organization, including the Organization's accountants, attorneys, or other individuals as selected by the directors, to review any particular transaction or arrangement and make a recommendation to the governing body or committee with respect to the adoption of the particular transaction or arrangement. Such advice is not intended to relieve the governing body or committee from exercising its governance obligations but rather is intended to provide an objective review to assist the governing body or committee.

5. Violations of the Conflicts of Interest Policy

- a. If the governing board or committee has reasonable cause to believe an interested person has failed to disclose actual or possible conflicts of interest ("Conflicted Individual"), it shall inform the Conflicted Individual of the basis for such belief and afford the Conflicted Individual an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the Conflicted Individual's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the Conflicted Individual has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV
RECORDS OF 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.

ARTICLE V COMPENSATION

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ARTICLE VI ANNUAL STATEMENTS

Each director, principal officer, and member of a committee with governing board delegated powers shall annually sign a statement which affirms 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 the Organization 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.

ARTICLE VII PERIODIC REVIEWS

To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

ARTICLE VIII
USE OF OUTSIDE EXPERTS

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

The following persons, constituting the directors of the Organization as of the date listed below, make the following acknowledgement:

I have reviewed, and agree to abide by, the foregoing Policy on Conflicts of Interest and Disclosure of Certain Interests of Heroes for Heroes Inc. and I acknowledge the foregoing policy is currently in effect.

Date: _____

Johnnie Yellock, CEO and President

Mike Pettis, Chairman of the Board

John Redmond, Secretary

Travis Allison, Treasurer

Ryan C. Parrot, Founder, Board Member

Gary Seibel, Board Member