

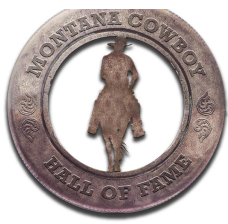
## **Board of Directors Role & Governance Standards**

### **Purpose of the Board**

The Board of Directors is elected by the Membership, Trustees and other current Board Members in order to manage the fulfillment of the mission of the Montana Cowboy Hall of Fame & Western Heritage Center through prudent and ethical governance and stewardship. We establish and maintain the trust of the community for which we are indebted to serve and we hold ourselves accountable for our actions and honoring of that trust.

### **Responsibilities of the Board of Directors**

- 1. The Board is ultimately responsible for reviewing the organizations effectiveness in satisfying its mission. To fulfill this responsibility the board must:**
  - a. evaluate and modify when necessary the mission and vision of the organization pursuant to all required regulatory and judicial approvals.
  - b. provide periodic assessments of the organization performance and effectiveness in achieving mission-related goals.
  - c. requesting from management, on a periodic basis, reports identifying specific means to address perceived deficiencies in mission effectiveness.
- 2. The Board should be responsible for understanding its mission including the periodic review of the MCHF & WHC's articles of incorporation, by-laws, annual 990 returns and materials relating to IRS compliance.**
- 3. The Board shall stay informed regarding material developments in the laws and regulations governing charitable organizations through period reviews and training.**
- 4. The Board performs an important oversight role by:**
  - a. committing to an active, informed and independent oversight of the organizations business affairs and senior management.
  - b. disclosing to the full board all information and analyses of which they become aware that may be relevant to the exercise of the boards oversight obligations.
  - c. maintaining reasonable access to all officers, the Executive Director and advisors of the organization.
  - d. providing oversight through the Executive Compensation Committee for the evaluation and performance of the Executive.
- 5. Duty of Loyalty Compliance**
  - a. Board members are to make themselves familiar with Montana Annotated Code (35-2-416) and (35-2-418) which outline the role and code of conduct for a Board Member in the State of Montana. See pages 20 and 21 of this handbook for a full review of this code.
- 6. Financial Accountability and Transparency**
  - a. The board is responsible for ensuring the transparency and integrity of the organizations financial statements, audited or unaudited.
  - b. The board shall appoint annually an "Audit Committee" to recommend policies to the Board of Directors addressing audit partner rotations, proper accounting treatment of material correcting adjustments, off-balance sheet arrangements, and related party transactions. The Audit Committee will also be charged with ensuring the implementation of the independent auditors recommendations.
  - c. The Board shall adopt a "Code of Conduct" for senior financial officers of the organization and periodically review compliance with this code.
  - d. The Board ensures the consistency of organizational expenditures through the comparison of statements made in charitable solicitations to ensure donor restriction compliance.



- e. The board ensures through an annual planning, budgeting and fiduciary processes that:
  - i. an appropriate limitation (consistent with industry standards) is placed on the amount of administrative/overhead expenses spent on fund raising activities,
  - ii. an appropriate limitation (consistent with industry standards) is placed on the amount of administrative/overhead expenses spent on mission-related activities,
  - iii. the accumulation of funds that are not used for current program activities is no more than the Board, in consultation with management and advisors, determines to be prudent given the organizations financial condition, short and long-term needs, and industry trends; and
  - iv. financial information concerning the organization, prepared in accordance with generally accepted accounting principles, should be available to the public on request. Such information should accurately reflect the MCHF & WHC's expenses related to fundraising activities, among other expenses.
- f. The Board should ensure that the Form 990 is filed annually with the IRS and that it contains as much information as reasonably possible concerning the mission, goals, and other key developments relating to the MCHF & WHC's charitable, exempt status, and is available for inspection by the public in accordance with applicable federal and state legal requirements.

## **7. Governance & Nominating Committee**

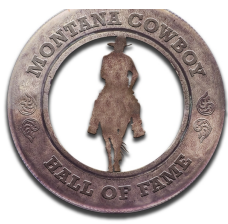
- a. A Nominating Committee will be appointed annually for the purpose of recommending to the Membership, Trustee's and Board Members:
  - i. board size, director terms and term limits;
  - ii. standards for director qualifications;
  - iii. candidates for directors;
  - iv. number, structures and membership of committees;
  - v. committee assignments and rotation of members;
  - vi. director orientation and continuing education;
  - vii. Executive Director succession policies and candidates;
  - viii. changes to corporate organizational documents; and
  - ix. other governance policies and procedures.
- b. This committee shall be composed of at a minimum one(1) representative of each voting constituency (Member, Trustee & Board Member), the Executive Director or designee and any qualified advisors needed to conduct the duties of the committee.

## **8. The Audit Committee**

- a. The committee shall recommend to the Board of Directors:
  - i. the hiring of an outside independent auditor,
  - ii. policies relating to non-audit services provided by outside auditor to the organization and other aspects of the organization auditor relationship that potentially could affect the auditor's independence,
  - iii. review and comment on the adequacy of the organization financial disclosure and internal controls, and
  - iv. the auditors independent review and adoptions of recommendations made in the auditors independent letter.

## **9. The Executive Compensation Committee**

- a. The Board shall appoint an Executive Compensation Committee annually for:
  - i. recommending to the Board the compensation and benefit arrangements (including qualified and non-qualified benefit plans) provided to the senior executive management of the organization,
  - ii. establishing and adhering to a compensation philosophy which reflects the charitable, tax-exempt mission of the MCHF & WHC. Any incentive compensation arrangements should be supported specifically with a description as to how the incentive arrangement furthers the tax exempt mission and charitable purposes of the MCHF & WHC.



## 10. Corporate Ethics/Corporate Compliance

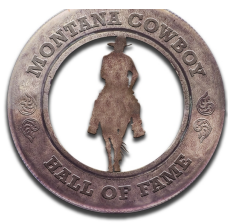
- a. The Board is ultimately responsible for promoting an organizational culture that encourages a commitment to compliance with the law.
- b. The Board should take all necessary steps to instill a “culture of compliance” within the MCHF & WHC.
- c. Consistent with that organizational commitment, the Board should:
  - i. ensure that there exists a corporate information and reporting system, designed to prevent and detect violations of the law;
  - ii. be knowledgeable about the content and operation of such system;
  - iii. exercise reasonable oversight with respect to the implementation and effectiveness of such system;
  - iv. ensure that legally appropriate document retention policies and procedures are in place; and
  - v. ensure that “non-retaliation” protections are in place for employees who disclose potential legal violations under the reporting system.

## 11. Board Deliberative Process

- a. The Board should adopt governance policies and procedures that assist individual Board members in making informed decisions in the best interests of the Corporation. This should include policies and procedures addressing:
- b. establishment of meeting agendas, advance distribution of information and the manner in which information is presented to the Board (*e.g.*, “Plain English”);
- c. expectations of directors, expected time commitments and attendance obligations of directors, and limitations (if any) on outside Board memberships of directors;
- d. continued director fitness to serve (*e.g.*, the implications of factors such as health, significant change in job status, or the director as party to any action, suit, proceeding, settlement or similar matter that might reasonably be deemed material to an evaluation of a director’s ability or integrity);
- e. the periodic rotation of committee chairs and membership, terms and retirement of the chairs and membership of the Board and its principal standing committees; and
- f. establishment and maintenance of director orientation, training, and continuing education and self-evaluation programs, with particular emphasis on
  - i. the effectiveness and adequacy of the Board and its committees;
  - ii. the sufficiency and timeliness of the information provided by management to the Board;
  - iii. the background and qualifications of individual directors; and
  - iv. the contributions of each director to the Board and to mission effectiveness.
- g. The Board conducts its meetings professionally and with order, utilizing the standards outlined in Roberts Rules of Order.

## 12. Fund-Raising Accountability

- a. The Board is ultimately responsible for ensuring the accuracy and completeness of the MCHF & WHC’s communications to the public in fund-raising activity.
- b. Board Members are expected to demonstrate leadership in fund-raising efforts and activities by maintaining at a minimum a membership of their choosing and leading by example for others to follow in the participation of related fundraising activities of the MCHF & WHC.
- c. In satisfaction of this responsibility the Board should ensure that the annual report of the MCHF & WHC and filed as required by law, is available upon request to the public;
- d. The Board identifies and implements plans to ensure that reasonable privacy concerns of donors and customers are addressed.
- e. The Board, or its legal counsel, should establish a program to monitor the MCHF & WHC’s compliance with all state charitable solicitation laws in which the Corporation solicits charitable contributions and monitor all web-based solicitations for compliance with applicable state and federal laws.



### 13. Reviewing Transactions With Disqualified Persons

- a. The Board should review and understand the Internal Revenue Code provisions dealing with “excess benefit transactions.” As part of its review, the Board should seek to identify (through periodic disclosure statements and other means) those categories of individuals and entities (e.g., corporations and partnerships who may be considered “disqualified persons”) under these provisions and, accordingly, potentially subject to excess benefit transaction excise taxes (“Disqualified Persons”).
- b. The Board should adopt procedures for reviewing and approving all transactions between the Corporation and Disqualified Persons to ensure ongoing compliance with state and federal law. At a minimum, such procedures should include the following.
  - i. The Board, or a committee created by the Board, should review the compensation arrangement or terms of the transaction with the Disqualified Person. The Board or committee conducting the review should be comprised entirely of individuals who do not have a conflict of interest with respect to the arrangement or transaction being reviewed.
  - ii. In making its determination of reasonableness, the Board or committee should obtain and rely upon appropriate data as to comparability from internal or external sources prior to making its determination.
  - iii. The Board or committee (e.g., Executive Compensation Committee) should document the basis for its determination of reasonableness concurrently with making that determination. For a decision to be documented adequately, the written or electronic records of the Board or committee should note:
    1. the terms of the transaction that was approved and the date it was approved;
    2. the members of the Board or committee who were present during debate on the transaction or arrangement that was approved and those who voted on it;
    3. the comparability data obtained and relied upon by the Board or committee and how the data were obtained; and
    4. the actions taken with respect to consideration of the transaction by anyone who is otherwise a member of the Board or committee but who had a conflict of interest with respect to the transaction or arrangement.
- c. The Board should consider the appropriateness of adopting a policy providing that it will comply with the “Rebuttable Presumption of Reasonableness” in all but the most exceptional of circumstances.

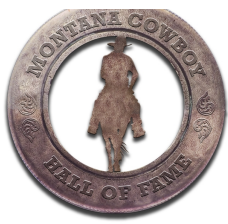


## **Board of Directors – Montana Annotated Code 2009**

### ***35-2-416. General standards for directors.***

1. A director shall discharge the duties as a director, including the director's duties as a member of a committee:
  - a. in good faith;
  - b. with the care an ordinarily prudent person in a similar position would exercise under similar circumstances; and
  - c. in a manner the director reasonably believes to be in the best interests of the corporation.
  
2. In discharging the duties, a director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
  - a. one or more officers or employees of the corporation whom the director reasonably believes to be reliable and competent in the matters presented;
  - b. attorneys, public accountants, or other persons with regard to matters that the director reasonably believes are within the person's professional or expert competence;
  - c. a committee of the board of which the director is not a member, as to matters within its jurisdiction, if the director reasonably believes the committee merits confidence; or
  - d. in the case of religious corporations, religious authorities, ministers, priests, rabbis, or other persons whose position or duties in the religious organization the director believes justify reliance and confidence and whom the director believes to be reliable and competent in the matters presented.
  
3. A director is not acting in good faith if the director has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) unwarranted.
  
4. A director is not liable to the corporation, any member, or any other person for any action taken or not taken as a director if the director acted in compliance with this section.
  
5. A director may not be a trustee with respect to the corporation or with respect to any property held or administered by the corporation, including but not limited to property that may be subject to restrictions imposed by the donor or transferor of the property.
  
6. This chapter does not modify any limitation of liability of directors provided by Title 27.

**History:** En. Sec. 91, Ch. 411, L. 1991; amd. Sec. 1279, Ch. 56, L. 2009.

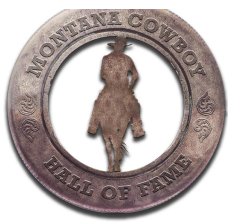


## **Board of Directors – Montana Annotated Code 2009**

### **35-2-418. Director conflict of interest.**

1. A conflict of interest transaction is a transaction with the corporation in which a director of the corporation has a direct or indirect interest. A conflict of interest transaction is not voidable or the basis for imposing liability on the director if the transaction was fair at the time it was entered into or is approved as provided in subsection (2) or (3).
2. A transaction in which a director of a public benefit corporation or religious corporation has a conflict of interest may be approved:
  - a. in advance by the vote of the board of directors or a committee of the board if:
    - i. the material facts of the transaction and the director's interest are disclosed or known to the board or committee of the board; and
    - ii. the directors approving the transaction in good faith reasonably believe that the transaction is fair to the corporation; or
  - b. before or after it is consummated by obtaining approval of:
    - i. the attorney general; or
    - ii. a state district court in an action in which the attorney general is joined as a party.
3. A transaction in which a director of a mutual benefit corporation has a conflict of interest may be approved if:
  - a. the material facts of the transaction and the director's interest were disclosed or known to the board of directors or a committee of the board and the board or committee of the board authorized, approved, or ratified the transaction; or
  - b. the material facts of the transaction and the director's interest were disclosed or known to the members and they authorized, approved, or ratified the transaction.
4. For purposes of this section, a director of the corporation has an indirect interest in a transaction if:
  - a. another entity in which the director has a material interest or in which the director is a general partner is a party to the transaction; or
  - b. another entity of which the director is a director, officer, or trustee is a party to the transaction.
5. For purposes of subsections (2) and (3), a conflict of interest transaction is authorized, approved, or ratified, if it receives the affirmative vote of a majority of the directors on the board or on the committee who have no direct or indirect interest in the transaction. However, a transaction may not be authorized, approved, or ratified under this section by a single director. If a majority of the directors on the board who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of or a vote cast by a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under subsection (2)(a) or (3)(a) if the transaction is otherwise approved as provided in subsection (2) or (3).
6. For purposes of subsection (3)(b), a conflict of interest transaction is authorized, approved, or ratified by the members if it receives a majority of the votes entitled to be counted under this subsection. Votes cast by or voted under the control of a director who has a direct or indirect interest in the transaction and votes cast by or voted under the control of an entity described in subsection (4)(a) may not be counted in a vote of members to determine whether to authorize, approve, or ratify a conflict of interest transaction under subsection (3)(b). The vote of these members, however, is counted in determining whether the transaction is approved under other sections of this chapter. A majority of the voting power, whether or not present, that is entitled to be counted in a vote on the transaction under this subsection constitutes a quorum for the purpose of taking action under this section.
7. The articles, bylaws, or a resolution of the board may impose additional requirements on conflict of interest transactions.

**History:** En. Sec. 92, Ch. 411, L. 1991.



## Board Member Expectations

### General Expectations

1. Regularly attend board meetings and important related meetings.  
*(Reference MCHF & WHC Bylaws for Meeting Attendance Requirements)*
2. Makes serious commitment to participate actively in committee work.
3. Volunteer for and willingly accept assignments and complete them thoroughly and on time.
4. Stay informed about board and committee matters, prepare for meetings, and review and comment on minutes and reports.
5. Get to know other committee members and build a collegial working relationship that contributes to consensus & productivity.
6. Be an active participant in the Boards annual evaluation and planning efforts.
7. Demonstrate leadership in fund raising administration as well as through membership and annual giving campaigns.
8. Read, understand and comply with the Board of Directors Role and Governance Standards of the Montana Cowboy Hall of Fame & Western Heritage Center.

### Meeting Schedule and Requirements

1. The Board of Directors meets quarterly and when necessary, may conduct business periodically as outlined and in accordance with our bylaws.
  - a. *Video/Teleconference arrangements will be made to accommodate Board Members who are not able to travel and meet with the Board in person.*
2. Committee's of the Board meet quarterly at a minimum and as needed to successfully conduct the business of the committee.
3. Annually Board Members are expected to attend in person, the Annual Business Meeting and the Annual Induction Ceremony for new Hall of Fame Inductee's (once the Hall of Fame is constructed).

***I acknowledge that I have read fully the Board of Directors Role and Governance Standards, Board Member Expectations, 2009 Annotated Code for General Standards of Board of Directors (35-2-416) and Directors Conflict of Interest Code (35-2-418), Articles of Incorporation and Bylaws of the MCHF & WHC, and having done so agree to fulfill my tenure as a Member of the Board of Directors in accordance with these standards.***

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Signature

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Date