



CONFLICT OF INTEREST POLICY

POLICY:

It is the policy of TerraFirma Risk Retention Group LLC (TerraFirma) to disclose real or perceived conflicts of interest involving TerraFirma and related parties and to address such conflicts in a manner that will fully protect the integrity and reputation of TerraFirma as well as related parties.

PURPOSE:

TerraFirma's effectiveness depends upon maintaining the highest level of confidence with all parties with whom it works. Both the perception and reality of entering into transactions that create conflicts of interest can be damaging to the integrity and reputation of TerraFirma. For that reason it is imperative to have a well-developed and consistently implemented conflict of interest policy.

A conflict of interest policy will help TerraFirma comply with the Standards for Charity Accountability established by the BBB Wise Giving Alliance, the premier charity watchdog organization in the United States. In addition, this policy will help assure compliance with the Internal Revenue Service rules against private inurement and private benefit and with state statutes addressing conflict transactions.

The TerraFirma Members Committee and non-member Manager owe it duty of loyalty. This duty includes the obligation to discharge their responsibilities in full compliance with the requirements of the law and in a manner which maintains the utmost in public trust and confidence in TerraFirma. Further, the public's perception of the way in which TerraFirma conducts its affairs must not be diminished by reason of the appearance of a conflict of interest. In addition, the Members Committee and contractors must perform his or her duties in good faith and in a manner he or she reasonably believes to be in the best interest of TerraFirma.

UNDERSTANDING CONFLICT CONCEPTS AND DEFINITIONS:

- A. Conflict of Interest: A conflict exists when a covered person (as defined below) proposes to act on any issue, matter or transaction in which TerraFirma has an interest, and the covered person may have an interest separate from TerraFirma. A conflict of interest also exists in situations in which there is an appearance that a covered person is utilizing inside information (as defined below) that is proprietary to TerraFirma for his or her benefit, is acting in his or her own interests rather than the best interests of TerraFirma,

has the ability to exercise undue influence over Terrafirma decisions, or is receiving favorable treatment by Terrafirma because of his or her status as a covered person.

- B. Covered Persons: All employees, contractors, employees and officers of the Alliance Risk Management Services LLC (ARMS), persons on the Members Committee and, as defined below, close relatives, major donors, related organizations, and other insiders.
- C. Close Relative: Spouse, child, (natural and adopted), parent, and step parent, in-laws, grandchild, grandparent, brother or sister of a covered person, and any person with whom a covered person shares living quarters under circumstances that closely resemble a marital relationship or who is financially dependent upon the covered person.
- D. Inside Information: Any material information that is identified as confidential and proprietary, pertaining to the business and affairs of Terrafirma, whether related to a specific transaction or to matters pertaining to Terrafirma's interests, activities and policies.
- E. Major Donor: An individual, corporation or foundation that makes a gift or a pledge of \$25,000 or more at any one time or cumulatively \$50,000 within a 5 year period prior to the occurrence of the conflict.
- F. Other Insiders: Individuals such as volunteers or former contractors or employees who, by virtue of their continued involvement with Terrafirma, either have access to inside information that could place them within a conflict situation or could give the appearance of such persons having the ability to unduly influence Terrafirma. Depending on the facts and circumstances, an independent contractor may be an "other insider" where that person has access to inside information.
- G. Related Organizations: Any organization, corporation, partnership, trust, estate, joint venture and unincorporated affiliation of any kind as well as public boards and commissions and not-for-profit entities in which a covered person directly or indirectly:
 - a. owns or controls 5% or more of any voting security; or
 - b. is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, otherwise serves in a fiduciary capacity or holds a substantial interest; or
 - c. has legal or de facto power to control the election of a majority of directors; or
 - d. has legal or de facto power to exercise a controlling influence over the management or policies.

DISCLOSURE AND ADMINISTRATION:

The principal purpose of this policy is to help Terrafirma and covered persons such as the non-member Manager, persons on the Members Committee and other insiders avoid in real or perceived conflicts with Terrafirma and to properly disclose and manage the conflicts that cannot be avoided. For that reason, the contractors and the Members Committee will be held

accountable to read, understand and fully comply with this policy. In addition, all those persons elected and appointed to the Members Committee and the non-Member manager will sign a copy of the policy acknowledging that they have read and understood the policy.

A conflict of interest exists when a person on the Members Committee or the non-Member manager, or any other person or organization in a position to influence the action of the Members Committee or the non-Member manager proposes to act on any issue, matter or transaction in which Terrafirma has an interest and he, she or it may have an interest separate from Terrafirma's.

Persons on the Members Committee, contractors and the non-Member manager may not use their positions to profit personally at the expense of Terrafirma or to benefit the professional or financial interests of any other organization in which they may have an ownership or membership interest, or serve as a director, trustee, officer, or employee. This duty prohibits the Terrafirma Members Committee and contractors from usurping for the advantage of themselves or others, including family members or others with whom they have a close personal relationship, an opportunity that rightfully belongs to Terrafirma, imposing on Terrafirma an obligation that rightfully belongs to another organization, and from entering into unfair transactions or contracts with or against Terrafirma.

PROCEDURES AND RECORDS:

In the event of a potential conflict involving the Members Committee, it is the obligation of the Member to bring the matter to the attention of the non-member Manager of Terrafirma (ARMS) who will refer the matter to the Audit Committee that will review, make recommendations and disclose actions taken at the next Members Committee meeting. ARMS staff with potential conflicts will disclose them in writing to the Members Committee who will review them, take appropriate actions and report substantive conflict issues to the Audit Committee on a regular basis.

While it is always best to avoid conflicts, there may be occasions in which the conflict is unavoidable. In such instances, the Audit Committee or the Members Committee, will document the following information in writing: the facts and circumstances surrounding the potential conflict, justification for proceeding with the potential conflict and the recommended course of action to be taken to mitigate Terrafirma's participation in the conflict. At a minimum the mitigation actions should include asking the individual involved in the potential conflict to recuse and absent himself or herself from any involvement in discussions or decisions pertaining to the potential conflict.

Unless otherwise required by a specific policy or procedure, all disclosures required under this policy must be directed in writing to the non-Member manager and the full Members Committee who shall be responsible for the administration of this policy.

Any person who is uncertain about a possible conflict of interest in any matter may request that the non-member Manager determine whether a conflict exists and the Members Committee shall resolve the question by vote of a majority of the members present and voting, excluding from

such number the person who is the subject of the vote. When possible, the question of potential conflict should be referred to outside counsel for an opinion prior to the Members Committee vote but failure to obtain such an opinion will not affect the validity of the vote.

In determining a course of action involving a person's conflict of interest, every effort shall be made by the Members Committee to avoid the conflict. At a minimum, a person on the Members Committee or the non-member Manager, who has declared, or been found to have, a conflict of interest in any matter involving Terrafirma's work shall disclose it to all relevant parties and refrain from participating in consideration of the proposed transaction, unless for special reasons the Members Committee requests information or interpretation from the person or persons involved. The person or persons involved should not vote, or otherwise participate in the decision making process on such matters and should not be present at the time of deliberation or voting.

In cases where it is not possible to completely avoid the conflict or appearance of conflict, reasonable effort shall be made to mitigate the effect of the conflict. Considerations guiding the Members Committee in determining an appropriate course of action shall include:

- compliance with the letter and spirit of all applicable laws relevant to the transaction
- adherence to Terrafirma policies and procedures
- avoidance of impermissible private benefit and private inurement
- transparency
- conservation benefits likely to be achieved
- availability of other alternatives
- consequences to Terrafirma and the other party if Terrafirma declines to participate
- nature and extent of risk to Terrafirma's reputation and the ability to mitigate those risks
- financial or other benefit to Terrafirma and to the other party

The official record from the Members Committee meetings shall contain the names if any of the persons disclosing a conflict or found to have a conflict, the nature of the conflict, the action to be taken and whether an actual conflict existed. The names of those present for the discussion and voting, alternatives and mitigation of any real or perceived conflict as well as any vote shall be included.

COMPENSATION:

A voting Member of the Members Committee, any officer or employee of ARMS, or any other Terrafirma committee member or contractor who receives compensation, directly or indirectly, from Terrafirma for services is precluded from voting on matters pertaining to that Member or contractor's compensation, nor may such person provide information to the Members Committee or ARMS outside of the ordinary course of business. Terrafirma has a strong preference that no person on the Members Committee also be a compensated contractor or otherwise receive compensation beyond reimbursement for actual expenses related to service on the Members Committee.

ANNUAL STATEMENTS AND PERIODIC REVIEWS:

Disclosure is further required of persons on the Members Committee and the non member manager concerning all relationships and business and governmental associations they and their families have that could reasonably be expected to give rise to a conflict of interest involving Terrafirma. This disclosure shall be annually reported and kept current. The disclosure shall affirm that the person received the policy, read and understood the policy, agrees to comply with the policy and understands that Terrafirma is a charity and in order to maintain its tax exempt status must engage primarily in exempt purposes that advance its mission. The Members Committee shall periodically review its policies and compensation and other practices to ensure that Terrafirma is acting in a manner consistent with its exempt status and with its mission.

QUESTIONS TO HELP EVALUATE CONFLICTS AND POTENTIAL CONFLICTS:

There are many difficult and ambiguous issues associated with the types of conflict issues that might confront Terrafirma. In order to help those involved with Terrafirma activities to understand and evaluate those actual and potential conflicts, the following are typical categories of situations where the potential for conflict might arise. While not all inclusive, the following represent some of the types of conflict situations that may be confronted by Terrafirma. Key questions and issues that must be addressed for each of these types of conflicts are set out below.

1. In evaluating conflict situations, Terrafirma shall be guided by the following and considerations in order to determine an appropriate course of action:
 - Compliance with the letter and the spirit of all applicable laws relevant to all parties to the transaction;
 - Adherence to Terrafirma Policies and Procedures;
 - Ability to act within the scope of Terrafirma's values, such as "Integrity beyond Reproach;"
 - Avoidance of private benefit and inurement;
 - Transparency
 - Conservation benefits likely to be achieved;
 - Financial or other benefit to Terrafirma;
 - Nature and extent of risk to Terrafirma's reputation;
 - Availability of other alternatives;
 - Ability to mitigate reputational risks
 - Financial or other benefits to the other party.

2. Hiring individuals who are close relatives of Terrafirma contractors, Members Committee, ARMS employees or officers and other parties having access to inside information and the ability to influence the actions of Terrafirma.
 - Can this position be structured so that the conflicted party has no supervisory responsibilities without disrupting Terrafirma's business practices?
 - Will the conflicted party play any role in the hiring process?

- Has Terrafirma accessed the local public relations and political environment to be sure that this hire will not damage Terrafirma's reputation?
- Does this person have a unique expertise/situation that the service cannot be obtained anywhere else?
- What are the alternatives if this person is not employed by Terrafirma?
- Have we balanced the financial benefits to Terrafirma with the reputational risk to Terrafirma of the hire?
- How will this appear in the eyes of the public when tested against the value of integrity beyond reproach?

3. Contracting for products or services with covered persons.

- Is this product or service integral to the success of Terrafirma?
- Has Terrafirma employed a formal bid solicitation to enable the work to receive open and fair exposure to the marketplace to ensure that Terrafirma obtains the best market price for the work or services?
- Have we received information from parties other than the conflicted party that address the quality of the service or products being acquired or provided?
- Has Terrafirma accessed the local public relations and political environment to be sure that this hire will not damage Terrafirma's reputation?
- Will the management of the delivery of the service or product within Terrafirma be done by someone other than the conflicted party or other than someone who is supervised by the conflicted party?
- How will this appear in the eyes of the public when tested against the value of integrity beyond reproach?

4. Serving on Board or councils transacting business with Terrafirma or in which there may be potential adverse interest.

- Is the person serving on the Board of that entity as part of their job responsibility for Terrafirma?
- Was there an advance disclosure and have both parties agreed that in cases of conflict or where there was a direct and adverse interest/competition, that there would be a mechanism for recusal, disclosure or any other safeguards to protect Terrafirma?
- Is there a plan in place for how personnel will conduct themselves when serving on other Boards?
- Will the individual's time spent working issues for the other Board take away from their ability to perform their job for Terrafirma? What is the benefit to Terrafirma?
- What impact will this service have on Terrafirma's being able to do its business? To Terrafirma's reputation?
- Will any decisions made by the individual working for the other organization be made with regard to Terrafirma's best interest?
- What are the costs and benefits to Terrafirma?
- What are the alternatives if any?

- How will this appear in the eyes of the public when tested beyond the value of integrity beyond reproach?

EXAMPLES—POTENTIAL CONFLICTS

1. Inside Information: A conflict or perceived conflict exists when inside information is used by a covered person either for the purpose of gaining advantage for the covered person, or for any other purpose not specifically approved by Terrafirma.
2. Accepting of Gifts: A conflict or perceived conflict exists when a covered person accepts from any individual or organization that has an interest in any issue, matter or transaction in which Terrafirma also has an interest, any personal gift, benefit, service, loan, discount, concession or other item of more than nominal value. For the purpose of this document, nominal value shall mean less than \$100.
3. Employment of Close Relatives: A conflict or perceived conflict exists when a contractor or an employee and a close relative will have the same supervisor or manager. Likewise, a conflict or perceived conflict will exist when a contractor or an employee will be placed in a position where he or she will report either directly or indirectly to a close relative.
4. Fees for Advisory Services: A conflict or perceived conflict exists when a covered person provides advisory or consulting services to an individual or organization that has an interest in any issue, matter or transaction in which Terrafirma has an interest.
5. Outside Work: A conflict or perceived conflict exists if a contractor, an employee or person on the Members Committee engages in any employment or activity outside Terrafirma that:
 - a. competes with Terrafirma business or takes away an opportunity from Terrafirma to do business; or
 - b. implies Terrafirma sponsorship or support of the outside employment or activity that may adversely affect the public image of Terrafirma.

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