



## *Conflicts of Interest Policy*

1. Purpose. The purpose of the conflicts of interest policy is to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation. This policy is intended to supplement, but not replace, any applicable state laws governing conflicts of interest applicable to nonprofit corporations.
2. Definitions.
  - (a) Interested Person.
    - (1) General Rule. Any person who is a "disqualified person" within the meaning of Treas. Reg. §53.4958-3 is an "interested person" for purposes of this policy. Thus, any person who is, or during the preceding 5 years was, in a position to exercise substantial influence over the affairs of the Corporation is an "interested person." If an individual or entity is an interested person with respect to the Corporation or any entity affiliated with the Corporation, he or she is an interested person with respect to all affiliated entities.
    - (2) Particular persons. Any person who is, or who was during the past 5 years, a director, principal officer, or member of a committee with board delegated powers, and who has a direct or indirect financial interest, as defined below, is an "interested person." In addition, the spouse, ancestors, siblings, and descendants (and spouse of any ancestor, sibling, or descendant) of any such person is an interested party. Finally, any business, trust, or estate, at least 35% of which is owned by one or more interested persons, is itself an interested person. Other factors, e.g., being the founder of the Corporation, a substantial contributor to the Corporation, or a key executive who is not an officer, will also be taken into account in determining whether an individual or entity is an interested person.
  - (b) Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment or family-
    - (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.
  - (c) Compensation includes direct and indirect remuneration, as well as gifts or favors that are substantial in nature.
3. Procedures.
  - (a) Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest, and must be given the opportunity to disclose all material facts, to the directors and members of committees with board delegated powers that are considering the proposed transaction or arrangement.

(b) 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.

(c) Procedures for Addressing the Conflict of Interest.

(1) An interested person may make a presentation at the board or committee meeting, but after the presentation, he or she shall leave the meeting during the discussion of and the vote on the transaction or arrangement that results in the conflict of interest.

(2) The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(3) After exercising due diligence, the board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

(4) If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors or committee members whether the transaction or arrangement is in the Corporation's best interest and for its own benefit, and whether the transaction is fair and reasonable to the Corporation. The board or committee shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

(5) Each agreement with an interested person shall contain an appropriate provision permitting the agreement to be modified or terminated in the event that the Internal Revenue Service determines that any transaction that is the subject of the agreement is an excess benefit transaction within the meaning of §4958 of the Internal Revenue Code.

(6) For purposes of this policy, a disinterested person is one who is not an interested person with respect to the transaction, who is not in an employment or other financial relationship with any disqualified person with respect to the transaction, and who does not have any other material financial interest that may be affected by the transaction.

(d) Violations of the Conflicts of Interest Policy.

(1) If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

(2) If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

4. Records of Proceedings. The minutes of the board and all committees with board authority shall contain-

(a) the names of the persons who disclosed or otherwise were found to have a financial interest in connection with a transaction or arrangement, and the nature of the financial interest; and

(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 therewith.

5. Compensation Committees. A voting member of the board of directors, or of any committee whose jurisdiction includes compensation matters, and who receives compensation, directly or indirectly, from the Corporation for services is precluded from discussing and voting on matters pertaining to that member's compensation. However, such a person is not prohibited from providing information to the board of directors or any committee regarding compensation of similarly situated persons.
6. Annual Statements. Each director, principal officer and member of a committee with board delegated powers shall annually sign a statement which affirms that such person-
  - (a) has received a copy of this 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 a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.
7. Periodic Reviews. To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:
  - (a) whether compensation arrangements and benefits are reasonable and are consistent with the results of arm's-length bargaining;
  - (b) whether acquisitions of goods or services result in inurement or impermissible private benefit;
  - (c) whether partnership and joint venture arrangements conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit; and
  - (d) whether agreements to provide goods or services further the Corporation's charitable purposes and do not result in inurement or impermissible private benefit.
8. Use of Outside Experts. In conducting the periodic reviews provided for in Section 7, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

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