

# UNITED MIDCOAST CHARITIES, INC.

## Conflict of Interest Policy

### Article I Purpose

The purpose of this conflict of interest policy (the "Policy") is to foster public confidence in and to protect the interests of United Mid-Coast Charities, Inc., a 501 (c) 3 non-profit corporation ("UMCC"), when UMCC is contemplating entering into a transaction or arrangement, including but not limited to contracts, compensation to an employee or consultant, or grants, that might benefit the private interest of an officer or director of UMCC or might result in a possible excess benefit transaction. 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 UMCC has a transaction or arrangement,
- b. A compensation arrangement with UMCC or with any entity or individual with which UMCC has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which UMCC is negotiating a transaction or arrangement.
- d. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2 of this Policy, 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.

#### **3. Compensation**

Compensation includes direct and indirect remuneration as well as gifts or favors that objectively would be considered substantial.

**Article III**  
**Procedures**

**1. Duty to Disclose**

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. The interested person may simply confirm that a conflict of interest exists as defined in this Policy and thus eliminate the need for the board or committee to make that determination.

**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, the interested person shall, unless he or she has already confirmed that a conflict of interest exists, 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.

**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 or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The chair of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the governing board or committee shall determine whether UMCC 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.
- d. 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 or committee members whether the transaction or arrangement is in UMCC's best interest, for its own benefit, whether the transaction is fair and reasonable, and whether the pricing component of the arrangement is comparable to reasonable direct costs or fair market value. In conformity with the above determination, UMCC shall make its decision whether to enter into the transaction or arrangement.

#### **4. Violations of the Conflict of Interest Policy**

- a. If the governing board or committee has reasonable cause to believe a member of the board or committee has failed to disclose any actual or possible conflict 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.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member 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 UMCC 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 UMCC 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 UMCC, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

- d. UMCC will approve the relevant compensation arrangements before starting to pay compensation to any director, officer, or highly-paid employee or independent contractor. UMCC will date and document these arrangements and their terms and retain the relevant documentation in UMCC's governance, compensation and tax records.

## **Article VI** **Annual Statements**

Each member of the Executive Committee, each principal officer, and each member of a committee with governing-board delegated powers to enter into agreements (with payments by any party in money or money's worth) on behalf of UMCC, shall annually sign a statement in substantially the form enclosed as Attachment 1 that affirms such person:

- a. Has received a copy of the Policy
- b. Has read and understands the Policy
- c. Has agreed to comply with the Policy, and
- d. Understands that UMCC is defined as a charitable organization, 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 as set out in its Articles of Incorporation.

The Board of Directors shall annually adopt a resolution affirming that UMCC has sent a copy of the Policy and a related excerpt from the Articles of Incorporation to each director, that UMCC requires each director to read the Policy and satisfy himself or herself that he or she understands the Policy, that agreement with the Policy is a condition of membership on the Board of Directors, and that UMCC desires that each director bear in mind that the organization is a charitable organization, 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 as set out in the excerpt from the Articles of Incorporation.

## **Article VII** **Periodic Reviews**

To ensure that UMCC operates in a manner consistent with its 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 UMCC'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, UMCC 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.

**Annual Statement on United Mid-Coast Charities' Conflict of Interest Policy**

The undersigned, a principal officer of United Mid-Coast Charities ("UMCC"), a 501 (c )3 non-profit corporation, hereby affirms, as required under the UMCC Conflict of Interest Policy (the "Policy"), Article VI, that I:

- a. have received a copy of the Policy
- b. have read and understand the Policy
- c. agree to comply with the Policy, and
- d. understand that UMCC is defined as a charitable organization, and in order to maintain its application for federal tax exemption UMCC must engage primarily in activities which accomplish one or more of its tax-exempt purposes as set out in its Article of Incorporation.

_____ Name (Please print)	_____ Title
_____ Signature	_____ Date