

## ConnLUG, Inc. Conflict of Interest Policy

Adopted by the Board of Directors on 1 January 2022

### I. Overview

#### 1. Purpose

The purpose of this Conflict of Interest Policy (the “policy”) is to protect ConnLUG, Inc.’s (the “Organization’s”) interests when it is considering taking an action or entering into a transaction that might benefit the private interests of a Director, officer or **key person**<sup>1</sup>, result in the payment of excessive compensation to a Director, officer or key person; or otherwise violate state and federal laws governing conflicts of interest applicable to nonprofit, charitable organizations.

#### 2. Why is a policy necessary?

As a nonprofit, charitable organization, the Organization is accountable to both government agencies and members of the public for responsible and proper use of its resources. Directors, Officers, and employees have a duty to act in the Organization’s best interests and may not use their positions for their own financial or personal benefit.

Conflicts of interest must be taken very seriously since they can damage the Organization’s reputation and expose both the Organization and affiliated individuals to legal liability if not handled appropriately. Even the appearance of a conflict of interest should be avoided, as it could undermine public support for the Organization.

#### 3. To whom does the policy apply?

This policy applies to all Directors, Officers, and key persons (“you”)<sup>2</sup>.

### II. Identifying Conflicts of Interest

#### 1. What is a conflict of interest?

A potential conflict of interest arises when a Director, Officer, or key person, or that person’s **relative**<sup>3</sup> or business (a) stands to gain a financial benefit from an action the Organization takes or a transaction into which the Organization enters; or (b) has another interest that impairs, or could be

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<sup>1</sup> **Key person** means a person, other than a Director or Officer, whether or not an employee of the Organization, who:

- a) has responsibilities, or exercises powers or influence over the Organization as a whole similar to the responsibilities, powers, or influence of Directors and Officers;
- b) manages the Organization, or a segment of the Organization that represents a substantial portion of the activities, assets, income, or expenses of the Organization; or
- c) alone or with others controls or determines a substantial portion of the Organization’s capital expenditures or operating budget.

<sup>2</sup> Organizations may choose to make the policy applicable to all of their employees, not just key persons.

<sup>3</sup> **Relative** means a person’s spouse or domestic partner, ancestors, brothers and sisters (whether whole or half-blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses or domestic partners of brothers, sisters, children, grandchildren and great-grandchildren.

seen to impair, the independence or objectivity of the Director, Officer, or key person in discharging their duties to the Organization.

2. **What are some examples of potential conflicts of interest?**

It is impossible to list all the possible circumstances that could present conflicts of interest. Potential conflicts of interest include situations in which a Director, Officer, or key person or that person's relative or business:

- has an ownership or investment interest in any third party that the Organization deals with or is considering dealing with;
- serves on the board of, participates in the management of, or is otherwise employed by or volunteers with any third party that the Organization deals with or is considering dealing with;
- receives or may receive compensation or other benefits in connection with a transaction into which the Organization enters;
- receives or may receive personal gifts or loans from third parties dealing with the Organization;
- serves on the board of Directors of another nonprofit organization that is competing with the Organization for a grant or contract;
- has a close personal or business relationship with a participant in a transaction being considered by the Organization;
- would like to pursue a transaction being considered by the Organization for their personal benefit.

3. In situations where you are uncertain, err on the side of caution and disclose the potential conflict as set forth in Section III of this policy.

4. **A potential conflict is not necessarily a conflict of interest.** A person has a conflict of interest only if the Board of Directors decides, pursuant to Section IV of this policy, that a conflict of interest exists.<sup>4</sup>

**III. Disclosing Potential Conflicts of Interest**

1. You must disclose to the best of your knowledge all potential conflicts of interest as soon as you become aware of them and always before any actions involving the potential conflict are taken. Submit a signed, written statement disclosing all the material facts to the Board of Directors.
2. You must file an annual disclosure statement in the form attached to this policy. **If you are an Officer of the Board**, you must also file this statement prior to your initial election. Submit the form to the chair of the Board of Directors.

**IV. Determining Whether a Conflict of Interest Exists**<sup>5</sup>

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<sup>4, 5</sup> This policy provides for disclosure (1) to the Board of Directors, in which case, the board would decide both whether there is a conflict and how to handle the conflict; or (2) to a different board committee.

1. After there has been disclosure of a potential conflict and after gathering any relevant information from the concerned Director, Officer, or key person, the Board of Directors shall determine whether there is a conflict of interest. The Director, Officer, or key person shall not be present for deliberation or vote on the matter and must not attempt to improperly influence the determination of whether a conflict of interest exists.
2. In determining whether a conflict of interest exists, the Board of Directors shall consider whether the potential conflict of interest would cause a transaction entered into by the Organization to raise questions of bias, inappropriate use of the Organization's assets, or any other impropriety.
3. A conflict always exists in the case of a **related party transaction** – a transaction, agreement or other arrangement in which a **related party**<sup>6</sup> has a financial interest and in which the Organization or any affiliate of the Organization is a participant.<sup>7</sup>
4. If the Board of Directors determines that there is a conflict of interest, it shall refer the matter to a special session meeting of the Board of Directors and take appropriate action in accordance with Section V of this policy.

#### **V. Procedures for Addressing a Conflict of Interest**

1. When a matter involving a conflict of interest comes before the board, the board may seek information from the Director, Officer, or key person with the conflict prior to beginning deliberation and reaching a decision on the matter. However, a conflicted person shall not be present during the discussion or vote on the matter and must not attempt to improperly influence the deliberation or vote.
2. **Additional Procedures for Addressing Related Party Transactions**
  - a. The Organization may not enter into a related party transaction unless, after good faith disclosure of the material facts by the Director, Officer, or key person, the board or a committee authorized by the board determines that the transaction is fair, reasonable and in the Organization's best interest at the time of such determination.

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<sup>6</sup> A **related party** is:

1. a Director, Officer, or key person of the Organization or any affiliate of the Organization, or
2. a relative of any individual described in (1), or
3. an entity in which any individual described in (1) or (2) has an ownership or beneficial interest of 35% or more, or in the case of a partnership or professional Organization, a direct or indirect ownership interest in excess of 5%.

<sup>7</sup> A transaction is not a related party transaction if:

1. the transaction, or the related party's financial interest in the transaction, is *de minimis*;
2. the transaction would not customarily be reviewed by the board or the boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms;
3. the transaction constitutes a benefit provided to a related party solely as a member of a class of the beneficiaries that the Organization intends to benefit as part of the accomplishment of its mission (and that benefit is available to all similarly situated members of the same class on the same terms).

- b. If the related party has a substantial financial interest, the board or authorized committee shall:
  - i. prior to entering into the transaction, consider alternative transactions to the extent available;
  - ii. approve the transaction by a vote of not less than a majority of the Directors present at the meeting; and
  - iii. contemporaneously document in writing the basis for its approval, including its consideration of any alternative transactions.

**VI. Minutes and Documentation**

The minutes of any board meeting at which a matter involving a conflict of interest or potential conflict of interest was discussed or voted upon shall include:

- a. the name of the interested party and the nature of the interest;
- b. the decision as to whether the interest presented a conflict of interest;
- c. any alternatives to a proposed contract or transaction considered by the board; and
- d. if the transaction was approved, the basis for the approval.

**VII. Prohibited Acts**

The following shall be determined as prohibited acts in accordance with this policy.

- a. The Organization shall not make a loan to any Director or Officer.
- b. The Organization shall be the sole owner of its own assets, and no one shall be a mutual owner to those assets.
- c. The Organization shall make no claim of ownership over the assets of any person within or without the Organization, except those that are wholly the rightful property of the Organization.
- d. No member of the Organization may sell, liquidate, or otherwise profit monetarily or otherwise from the sale or exchange of assets of the Organization.

**VIII. Procedures for Determining Compensation**

- 1. No person shall be present for or participate in board or committee discussion or vote pertaining to:
  - a. their own compensation;
  - b. the compensation of their own relative(s);
  - c. the compensation of any person who is in a position to direct or control them in an employment relationship;

- d. the compensation of any person who is in a position to directly affect their financial interests; or
- e. any other compensation decision from which the person stands to benefit.

2. In the case of compensation of Key Persons, the following additional procedures apply:

- a. The board or a committee authorized by the board shall approve compensation before it is paid.
- b. The board or authorized committee shall base approval of compensation on appropriate data, including compensation paid by comparable organizations (three are sufficient if the Organization's income is less than \$1,000,000) for functionally similar positions, availability of similar services in the geographic area of the Organization, and compensation surveys compiled by independent firms.
- c. The board or authorized committee shall contemporaneously document:
  - i. the terms of compensation and date of determination;
  - ii. the members of the board or committee who were present and those who voted for it;
  - iii. the comparability data relied on and how it was obtained;
  - iv. if the compensation is higher or lower than the range of comparable data, the basis for the determination, and;
  - v. any actions with respect to consideration of the compensation by anyone on the board or committee who had a conflict of interest with respect to the matter.

**ConnLUG, Inc.**  
**Conflict of Interest Disclosure Statement**

By signing below, I affirm that:

1. I have received and read a copy of the Conflict of Interest Policy;
2. I agree to comply with the policy;
3. I have no actual or potential conflicts as defined by the policy or if I have, I have previously disclosed them as required by the policy or am disclosing them below.

Disclose here, to the best of your knowledge:

1. any entity in which you participate (as a Director, Officer, employee, owner, or member) with which the Organization has a relationship;
2. any transaction in which the Organization is a participant as to which you might have a conflicting interest; and
3. any other situation which may pose a conflict of interest.

Name: Stacey Camille Panczak

Position: ConnLUG President

Signature: *Stacey Camille Panczak*

Date: 11/13/2021