

## **Conflict of Interest Policy**

### **Rotary Club of Stockton**

#### **ARTICLE I**

##### Purpose

The purpose of this Conflict of Interest Policy is to protect this organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or trustee of the organization or result in a possible excess benefit transaction. Further, this policy is designed to set forth this organization's policy with respect to non-financial conflicts of interest that may arise as set forth in Article IX. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

#### **ARTICLE II**

##### Definitions

1. Interested Person. Any trustee, 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 the organization has or is contemplating a transaction or arrangement;
  - b. a compensation arrangement with the organization or with any entity or individual with which the organization has or is contemplating a transaction or arrangement; or
  - c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, 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.

## **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 trustees and members of committees with governing board delegated powers considering the proposed transaction or arrangement.
  
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, he or she shall leave the governing board 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 chairperson 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 the organization 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 the circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in the organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

## **ARTICLE IV**

### Rules of Proceedings

The minutes of the governing board shall reflect whether a disclosure was made at any given meeting and action, if any, the board decided to take in response to the disclosure.

**ARTICLE V**  
**Compensation**

1. A voting member of the governing board who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to that member's compensation.
2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to that member's compensation.
3. Notwithstanding the previous two paragraphs, no voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization is prohibited from providing information to any committee regarding such member's compensation.

**ARTICLE VI**  
**Annual Statements**

Each trustee, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the Conflict of Interest Policy;
- b. Has read and understands the Conflict of Interest Policy;
- c. Has agreed to comply with the Conflict of Interest Policy; and
- d. Understands the organization is charitable 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.

**ARTICLE VII**  
**Periodic Reviews**

To ensure the organization operates in a manner consistent with 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 the organization's written policies, are properly recorded, reflect reasonable investment or payment 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, the organization 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.

**Article IX**  
Non-Financial Conflicts of Interest

1. If any member of the Rotary Club of Stockton participates as a director, officer, employee or is in some other way substantially involved with a charitable organization and that organization submits an application for charitable funds from the Rotary Club of Stockton, said member shall recuse himself or herself from any discussion or participation in the charitable allocation process with respect to that organization.
2. If any member of the Rotary Club of Stockton is in a position to vote or otherwise take action in any situation that involves a direct family relationship by blood or marriage, said member shall recuse himself or herself from any discussion or participation in such situation.