

The Arc Alliance and Its Affiliated Corporations

Conflict of Interest Policy and Disclosure Statement

Article I

PURPOSE

The Arc Alliance and its affiliated corporations (the “Agency”) is a nonprofit, tax-exempt organization. Maintenance of its tax-exempt status is important both for its continued financial stability and for public support. Therefore, the IRS as well as state regulatory and tax officials view the operations of the Agency as a public trust, which is subject to scrutiny by, and accountable to, such governmental authorities as well as to members of the public.

The board, officers and management employees have the responsibility of administering the affairs of the Agency honestly and prudently, and of exercising their best care, skill, and judgement for the sole benefit of the Agency. These individuals shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with the Agency, or knowledge gained as a result of their positions, for their personal benefit. The interests of the Agency must be the first priority in all decisions and actions.

This Policy is intended to supplement and 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 the Agency has a transaction or arrangement;
- b. A compensation arrangement with the Agency or with any entity or individual with whom the Agency has a transaction or arrangement; or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with whom the Agency 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 directors and members of committees considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts to the board or committee members, and after any discussion with the interested person, he/she may be asked to 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 then 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/she may be asked to 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 Agency 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 that would resolve the conflict of interest, the governing board or committee shall determine, by a majority vote of the disinterested directors, whether the transaction or arrangement is in the Agency's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the governing board or committee shall make its decision as to whether to enter into the proposed 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 has failed to disclose an actual or possible conflict of interest, it shall inform the member of the basis for such belief and afford the member an opportunity 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 shall determine whether the member has failed to disclose an actual or possible conflict of interest and shall take appropriate corrective action.

Article IV
RECORDS OF PROCEEDING

The minutes of the governing board and all committees with board delegated powers shall contain:

1. 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 boards' or committees' decision as to whether a conflict of interest in fact existed.
2. The names of the individuals 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

1. A voting member of the governing board who receives compensation, directly or indirectly, from the Agency 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 Agency for services is precluded from voting on matters pertaining to that member's compensation.
3. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Agency, either individually or collectively, must disclose this prior to providing information to any committee regarding compensation.

Article VI
ANNUAL STATEMENTS

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

1. Has received a copy of the Policy;
2. Has read and understands the Policy;
3. Has agreed to comply with the Policy; and
4. Understands the Agency is a charitable organization and in order to maintain its federal tax exemption status, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII
PERIODIC REVIEWS

Periodic reviews shall be conducted to ensure that the Agency operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable based on competent survey information and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Agency'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, the Agency 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 according to the provisions in Article VII, above.

Acknowledgement of Receipt of Conflict of Interest Policy

I have read, understand and acknowledge that I shall comply with my responsibilities as set forth in this policy statement. I understand that The Arc Alliance is a charitable organization and in order to maintain its tax exempt status, it must engage primarily in activities which accomplish one or more of its tax exempt purposes.

Board/Committee/Staff Member Signature

Date

Board/Committee/Staff Member (Printed)

Please sign and return this page only to the CEO of The Arc Alliance