

**JEFFERSON COUNTY LOCAL DEVELOPMENT CORPORATION
CONFLICTS OF INTEREST
POLICY**

Adopted by the Board of Directors: July 1, 2010 – Review Date October 1, 2020

Section 1. Purpose.

The purpose of this 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 or might result in a possible excess benefit transaction. This Policy is intended to supplement but not replace any applicable New York State and federal laws governing conflicts of interest applicable to nonprofit and charitable corporations.

Section 2. Definitions.(a) Interested Person. Any director, officer, or member of a committee with Board delegated powers who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the corporate system of which the Corporation is a part, he or she is an interested person with respect to all entities in the corporate system.

(b) Financial Interest. A person has a financial interest if he or she personally 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, or

(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.

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

A financial interest is not necessarily a conflict of interest, but any director, officer, or member of a committee with Board delegated powers who has a financial interest may declare that he/she has a conflict of interest and thereby become subject to the procedures set forth in Section 3(c) of this Policy. If such a person with a financial interest is not sure whether it creates a conflict of interest, he/she shall make disclosures pursuant to Section 3(a) of this Policy, and the Board or committee shall then determine whether a conflict of interest exists in accordance with Section 3(b).

Section 3. Procedures.

(a) Duty to Disclose. In connection with any actual or possible conflicts of interest, an interested person must disclose the existence 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 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 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 such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest, and he/she shall not otherwise use personal influence with respect thereto.

(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 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. In conformity with that determination, it shall make its decision as to whether to enter into the transaction or arrangement. If, however, the majority vote of disinterested members is not sufficient to constitute action by a committee, the matter shall be submitted to a vote of the Board, and if the majority vote of disinterested directors is not sufficient to constitute action by the Board, the matter shall be submitted to a vote of the Corporation's members.

(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.

Section 4. Records of Proceedings. The minutes of the 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 Board's or committee's decision as to whether a conflict of interest in fact existed; 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.

Section 5. Compensation.

A voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation. No

voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to the Board or any committee regarding compensation.

Section 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 the Conflicts of Interest Policy of the Corporation;
- (b) has read and understands that Policy;
- (c) has agreed to comply with that 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.

Section 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, based on competent survey information, and the result of arm's length bargaining.
- (b) Whether transactions and other relationships result in inurement, impermissible private benefit, or an excess benefit transaction.
- (c) Whether partnership and joint venture arrangements and arrangements with other organizations 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, impermissible private benefit, or an excess benefit transaction.

(d) Whether agreements to provide services and agreements with other entities, employees, and third party payors further the Corporation's charitable purposes and do not result in inurement, impermissible private benefit, or an excess benefit transaction.

Section 8. Use of Outside Experts.

In conducting the periodic reviews provided for in Section 7 of this Policy, 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.

Section 9. Loans.

No loans, other than through the purchase of bonds, debentures, or similar obligations of the type customarily sold in public offerings, or through the ordinary deposit of funds in a bank, shall be made by the Corporation to its directors or officers, or to any other corporation, firm, association or other entity in which one or more of its directors or officers are directors or officers or hold a substantial financial interest, except a loan to another Type B not-for-profit corporation.

Section 10. Compliance with Laws.

It is the intention of the Corporation that in all matters related to the Corporation, all directors, corporate officers and members of committees with Board delegated powers shall adhere to applicable federal and state laws and regulations. If there is doubt as to the legality of any action or transaction, reasonable legal assistance should be obtained.

Section 11. Gifts and Favors.

No director, corporate officer or member of a committee with Board delegated powers shall be involved with gifts, entertainment, loans, or other favors of any kind if the value or frequency of the same is such that a sense of obligation to the donor is created, or can be perceived to be created, that would affect the Corporation or influence the acts or judgment of such person. Both the actual and perceived ability of the recipient to complete his/her Corporation related duties in a fair and unbiased manner may not be compromised.

Section 12. Political Activity.

The Corporation respects the rights of directors, corporate officers and members of committees with Board delegated powers to be or not to be involved on an individual basis with political activities of their own choosing. No Corporation funds may be used in connection with any such activity and no individual may make political contributions on behalf of the Corporation.

Section 13. Community Activities.

The Corporation encourages and respects the rights of directors, corporate officers and members of committees with Board delegated powers to become involved in various community service activities as they individually deem appropriate. Such activities, however, shall not interfere with the performance by any such person of his/her duties to the Corporation. Special care must be taken that perceptions not be created that such person is acting on behalf of the Corporation by virtue of the Corporation related position held by the individual. Corporation funds may not be used for community activities not directly related to the mission of the Corporation.