

Conflict of Interest Policy for Bay Area Community Law Foundation

Article I Definition of Voidable Conflict of Interest transaction for this non-member corporation

A conflict of interest transaction is a transaction with the corporation in which a director of the corporation has an interest that precludes him or her from being a disinterested director. A conflict of interest transaction is not voidable by the corporation solely because of the director's interest in the transaction if any **one** of the following is true:

- a. The material facts of the transaction and the director's interest were disclosed or known to the board of directors and a majority of the board of directors authorized, approved or ratified the transaction; or
- b. The transaction was fair to the corporation under all the circumstances at the time of the transaction.
- c. For the purposes of this policy, the reimbursement to a director of necessary expenses paid by a director to a person or entity on behalf of BACLF is not considered a conflict of interest transaction.

Article II 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 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/she shall leave the governing board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board 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, but after the 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.
 - b. The chairperson of the governing board 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 shall determine whether BACLF 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 shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in

BACLF'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.

4. Violations of the Conflicts of Interest Policy

a. If the governing board has reasonable cause to believe 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.

b. If, after hearing the director's response and after making further investigation as warranted by the circumstances, the governing board determines the director 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 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 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 BACLF for services is precluded from voting on matters pertaining to that member's compensation.

b. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from BACLF, either individually or collectively, is prohibited from providing information regarding compensation.

Article VI Annual Statements

Each director shall annually sign a statement which affirms such person:

a. Has received a copy of the conflicts of interest policy,

b. Has read and understands the policy,

c. Has agreed to comply with the policy, and

d. Has read and understood BACLF's Bylaws and its incorporating documents.

Article VII Periodic Reviews

To ensure BACLF 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, whether the policies suggested as necessary or useful by the IRS and the California Attorney General are in place and understood by the directors. When conducting the periodic reviews, BACLF 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 that the appropriate policies are in place.