

Rotary Club of Livermore

Revision Number: _____

Revision Date: _____

Date of Policy Creation and Board Approval: _____

34. Conflict of Interest Policy

I. PURPOSE OF THE CONFLICT OF INTEREST POLICY

The purpose of this conflict of interest policy of the Rotary Club of Livermore, is to protect the Rotary Club when it is contemplating entering into a contract, transaction or arrangement that has the potential for benefiting the private interest of a “Significant Person” as defined below. This Policy is intended to supplement, but not replace, any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

II. STATEMENT OF POLICY

The Rotary Club will not engage in any contract, transaction or arrangement involving a Conflict of Interest without establishing appropriate safeguards to protect the interests of the Rotary Club. To that end:

1. Each Significant Person must promptly, fully and timely comply with the disclosure requirements set forth in this policy, or as otherwise adopted by the Board in accordance with this policy.
2. All transactions, contracts or arrangements involving a conflict of interest must be reviewed by the board or by a designated body of disinterested persons.
3. The Board, or designated body, must determine by a majority vote of disinterested persons that appropriate safeguards are in place to protect the interests of the Rotary Club of Livermore and are consistent with the purposes of this Policy.
4. Where appropriate, the Board or designated body shall seek advice of legal counsel.

This Policy applies to (a) Significant Persons, and (b) any contract, transaction or arrangement involving the Rotary Club of Livermore.

III. DEFINITIONS APPLICABLE TO THE POLICY

Significant Person. Any director, trustee, officer, key employee or committee member with board delegated powers is a Significant Person.

Conflict of Interest. A “Conflict of Interest” exists whenever a Significant Person has a significant personal interest in a proposed contract, transaction or arrangement to which the Rotary Club of Livermore may be a party.

Significant Personal Interest. A Significant Personal Interest exists if the Significant Person, directly or indirectly, through business, investment, or family member, has a(n):

- a. ownership or investment interest in any entity with which the Rotary Club of Livermore has a contract, transaction or arrangement;
- b. compensation arrangement with the Rotary Club of Livermore;
- c. compensation arrangement with any entity or individual with which the Rotary Club of Livermore has a contract, a transaction or arrangement;
- d. potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Rotary Club of Livermore is negotiating (or is proposing to negotiate) a contract, a transaction or arrangement; or
- e. fiduciary position (e.g., member, officer, director, trustee, committee member), whether compensated or uncompensated, with another, unaffiliated organization (i) which directly competes with the Rotary Club of Livermore in terms of services or for charitable contributions;

or (ii) with which the Rotary Club of Livermore has (or is proposing to enter into) a contract, transaction or arrangement.

Compensation includes direct and indirect remuneration, consulting fees, board or advisory committee fees, honoraria, as well as gifts or favors that are not insubstantial.

A Significant Interest is not necessarily a conflict of interest. Article IV, Section 4 describes the procedure that will be used to decide whether or not a conflict of interest exists.

Family Member. With respect to a Significant Person, a “Family Member” means:

- a. the Person’s spouse;
- b. a brother, sister, parent, grandparent, child, grandchild, great grandchild (by whole or half blood) of the Person or the Person’s spouse, or
- c. the spouse of an individual listed in paragraph (b),

However, a Family Member includes individuals listed in paragraphs (a) and (b) (other than a child) only if the individual lives in the Person’s household, the Person manages the individual’s financial affairs, or the Person is aware without special inquiry that the Family Member holds a particular Interest.

IV. PROCEDURES FOR IDENTIFICATION OF POTENTIAL CONFLICTS OF INTEREST

Annual Questionnaire. Each Significant Person shall completely, accurately and timely submit the annual *Conflict of Interest Questionnaire* (the “Annual Questionnaire”) as prepared and distributed by the Board [or Committee].

Duty to Disclose. A Significant Person must disclose the existence of any Interest and be given the opportunity to disclose all material facts to the persons the board has designated to consider the proposed contract, transaction or arrangement. Such information must be provided so that decisions are made with full knowledge and understanding of the Significant Person’s interest.

Continuing Disclosures. If, after completion of the Annual Questionnaire, any Significant Person becomes aware of anything that could give rise to a potential Conflict of Interest with respect to a proposed contract, transaction or arrangement involving the Rotary Club of Livermore, the Significant Person shall promptly disclose that Interest to the President of the Rotary Club of Livermore.

V. PROCEDURE FOR DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS

The Board [or Committee] shall determine by a majority vote of disinterested directors whether the disclosed Interest may result in a conflict of interest after meeting, discussing and voting on the matter. The Board [or Committee] shall:

- a. review responses to the Annual Questionnaire and any continuing disclosures that are made during the year;
- b. take such steps as are necessary to identify Interests and review any so identified;
- c. make such further investigation as it deems appropriate with regard to Interests disclosed or identified; and
- d. determine whether any such Interest gives rise to a Conflict of Interest.

The Board [or Committee] may request additional information concerning the relevant Interest from all reasonable sources before reaching a determination. A Significant Person may make a presentation at the Board [or Committee] meeting, 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.

VI. PROCEDURE WHEN A CONFLICT OF INTEREST EXISTS

Where a conflict of interest is determined to exist, the Rotary Club of Livermore shall not enter into the proposed contract, transaction or arrangement unless the Board [or Committee thereof] has complied with the following:

- a. The President of the Board [or Chair of the Committee] shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed contract, transaction or arrangement.
- b. After exercising due diligence, the Board [or Committee] shall determine whether the Rotary Club of Livermore can, with reasonable efforts, get a more advantageous contract, transaction or arrangement from a person or entity without a conflict of interest.
- c. If a more advantageous transaction or arrangement is not reasonably possible, the Board [or Committee] shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Rotary Club of Livermore's "best interest", for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the Board shall make its decision as to whether to enter into the contract, transaction or arrangement.

VII. PROCEDURE FOR VIOLATIONS OF THE POLICY

- a. If the Board [or Committee] has reasonable cause to believe a Significant Person has failed to comply with the disclosure requirements in this Policy, it shall inform the Person of the basis for such belief and afford the Person an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the Significant Person's response and after making further investigation as warranted by the circumstances, the Board or committee determines the Significant Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate corrective action.

VIII. DOCUMENTATION OF PROCESS

The minutes of the Board (and all committees with board delegated powers) shall contain:

- a. The names of the Significant Persons who disclosed or otherwise were found to have an Interest being considered at such meeting by the Board [or Committee], the nature of the 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.
- b. The names of the persons who were present for discussions relating to the contract, 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.
- c. If appraisals (for tangible property) or third party comparable data (for compensation) were considered by the Board [or Committee], the nature and source of the data.

IX. ANNUAL AFFIRMATION STATEMENT

Each Significant Person shall annually sign the statement at the end of the attached Annual Questionnaire and affirm:

The person has received a copy of this Conflict of Interest Policy,

The person has read and understands the Policy, and

The person agrees to comply with the Policy.

X. PERIODIC REVIEWS

To ensure that the Rotary Club of Livermore 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:

Whether compensation arrangements and benefits are reasonable, are based on competent survey information, and are the result of arm's length bargaining.

Whether partnerships, joint ventures, and arrangements with management organizations conform to the "Rotary Club of Livermore'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.

XI. USE OF OUTSIDE EXPERTS

When conducting the periodic reviews as provided for in Article VII, the Rotary Club of Livermore 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.



Conflict of Interest Disclosure Form

Date: _____

Name: _____

Position (director / employee / volunteer): _____

Please describe below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to a conflict of interest between the Rotary Club of Livermore and your personal interests, financial or otherwise:

_____ I have no conflict of interest to report

_____ I have the following conflict of interest to report (please specify other nonprofit and for-profit boards you (and your spouse) sit on, any for-profit businesses for which you or an immediate family member are an officer or director, or a majority shareholder, and the name of your employer and any businesses you or a family member own):

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

7. _____

8. _____

I hereby certify that the information set forth above is true and complete to the best of my knowledge. I have re- viewed, and agree to abide by, the Conflict of Interest Policy of the Rotary Club of Livermore.

Signature: _____

Date: _____