

**MECKLENBURG BAR FOUNDATION
CONFLICT OF INTEREST POLICY
Approved by MBF Board - June 23, 2015**

Purpose of Policy and Duties of Directors and Officers

The directors, officers¹ and key employees² (each an “Insider”, together the “Insiders”) of Mecklenburg Bar Foundation (the “Foundation”) owe a duty of loyalty to the Foundation, which requires that in serving the Foundation they act, not in their personal interests or in the interests of others, but rather solely in the interests of the Foundation. Insiders must have an undivided allegiance to the Foundation’s mission and may not use their position as Insiders, information they have about the Foundation or the Foundation’s property, in a manner that allows them to secure a pecuniary or other material benefit for themselves or their relatives.³ Accordingly, no Insider may use his or her position at the Foundation for personal gain or to benefit another at the expense of the Foundation, its mission or its reputation.

A conflict of interest may arise when a person has an existing or potential financial interest or other material interest that impairs, or might appear to impair, his or her independence or objectivity in the discharge of responsibilities and duties to the Foundation. This Policy is intended to protect the Foundation’s interests when it is contemplating entering into a contract, transaction, or arrangement that might benefit the private interests of an Insider. This Policy is also meant to aid Insiders in performing the duties imposed upon them by the laws of the State of North Carolina and the United States of America, as applicable, with respect to their management responsibilities and fiduciary obligations to the Foundation. The Foundation is committed to transparency and openness in its operations.

Each Insider must discharge his or her duties in good faith, with the degree of care that an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner such person reasonably believes to be in the best interests of the Foundation.

¹ For purposes of this Policy, “officers” include each officer designated in the bylaws, together with the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer or equivalent.

² For purposes of this Policy, “key employee” is defined pursuant to the following three-part test:

1. \$150,000 Test. The employee receives reportable compensation from the Foundation and all related organizations in excess of \$150,000 for the calendar year ending with or within the Foundation’s tax year; and
2. Responsibility Test. The employee: (a) has responsibilities, powers or influence over the Foundation as a whole that is similar to those of officers, directors or trustees; (b) manages a discrete segment or activity of the Foundation that represents 10% or more of the activities, assets, income, or expenses of the Foundation, as compared to the Foundation as a whole; or (c) has or shares authority to control or determine 10% or more of the Foundation’s capital expenditures, operating budget, or compensation for employees; and
3. Top 20 Test. The employee is one of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the Foundation and related organizations for the calendar year ending with or within the Foundation’s tax year.

³ For the purposes of this Policy, “relative” means spouse or significant other living in the same household (“life partner”), brothers or sisters (by whole or half blood), life partners of brothers or sisters (by whole or half blood), ancestors, children, grandchildren, great-grandchildren, and life partners of children, grandchildren, and great-grandchildren.

This requires using common sense, being diligent and attentive to the Foundation's needs, and making thoughtful decisions in the best interests of the Foundation. No Insider may take personal advantage of a business opportunity that is offered to the Foundation unless the Board of Directors of the Foundation first determines not to pursue such opportunity.

Each Insider must protect the confidential information of the Foundation and must not use confidential information of the Foundation for his or her personal benefit, or use such confidential information or his or her position as an Insider to the detriment of the Foundation. Confidential information is information obtained through the Insider's position that has not become public information.

Direct or Indirect Financial or Other Material Interest

1. Contracts, transactions, or arrangements of the Foundation in which an Insider has a direct or indirect financial or other material interest shall not be prohibited, but they shall be subject to scrutiny. Any such proposed contract, transaction or arrangement (collectively, "Arrangement") is to be reviewed to determine that it is in the best interests of the Foundation.
2. For the purposes of this Policy, an Insider has a direct or indirect financial or other material interest in a proposed or existing Arrangement if he or she, or one of his or her relatives:
 - (a) has a substantial financial interest directly in the proposed or existing Arrangement; or
 - (b) has a substantial financial interest in any other organization that (i) is a party to the proposed or existing Arrangement; or (ii) is in any way involved in the proposed or existing Arrangement, including through the provision of services in connection therewith (an "involved organization"); or
 - (c) holds a position as trustee, director, officer, member, partner, founder, full-time intern, or employee in any such party or involved organization.

An Insider's financial interest will be considered substantial if it involves:

- (a) an ownership or investment interest representing more than 1% of the outstanding shares of a publicly traded company or 5% of the outstanding shares or comparable interest of a privately owned company with which the Foundation has or is negotiating an Arrangement or which is an involved organization with respect to the Arrangement; or
- (b) an ownership or investment interest, which produces a significant amount of income for or constitutes a significant part of the net worth of the Insider, or a relative of the Insider, in any entity with which the Foundation has or is negotiating an Arrangement or which is an involved organization with respect to the Arrangement; or

- (c) a compensation arrangement of any kind with any entity or individual with which the Foundation has or is negotiating an Arrangement or with any involved organization with respect to the Arrangement.

Disclosure of Grantmaking Conflict of Interest

- 3. Committee Member or Relative is Affiliated with Organization (as set out in pg. 2, #2, c):
 - (a) Grant Review Committee (GRC) members and Insiders are prohibited from voting on grants for organizations with which they or their relatives are affiliated.
 - (b) GRC members and Insiders may provide information about an organization with which they or their relatives are affiliated but are prohibited from advocating for that organization.
 - (c) A GRC member shall not be assigned to review a grant application from or perform a site visit for an organization with which he or she or their relative is affiliated.
- 4. No organization with which any GRC member or Board member or their relative is affiliated shall receive any special consideration whatsoever by the GRC for its application and no variation in the procedures or standards for processing grants shall be permitted for such an application.

No member of the GRC or Board or his or her relative shall receive any monetary benefit, either direct or indirect, from any grant distributed through the Mecklenburg Bar Foundation.

- 5. Duty of Good Faith to Disclose and Inform Other Committee Members:
If any GRC member or Insider has other connections with the organization submitting a grant proposal, such as volunteering with the organization in a capacity other than Board membership; a close friend or other family member who is involved; or a prior personal affiliation with the organization, the member may vote on and discuss the grant proposal. If the GRC member or Insider participates in the discussion, he or she should disclose their other connections with the organization under consideration.

When a GRC member or Insider becomes aware of a proposal from an organization of which the GRC member or Insider has substantive knowledge and has concerns about that organization, the GRC member or Insider shall share this information with members of the GRC. If possible, this will be done at a sufficiently early time in the process that the organization may have an opportunity to respond to any concerns in an interview, if one is granted. This process should be reserved for serious concerns, and not used simply for advocacy.

- 6. GRC Reservation of Rights:

The GRC also reserves the right to determine when a GRC member or Board member's relationship with an organization creates an appearance of a conflict of interest that, in its judgment, could compromise the integrity of the grant process and should be treated as a conflict of interest.

Disclosure of Interest and Participation in Meeting

7. Each Insider of the Foundation shall promptly disclose any direct or indirect financial or other material interest of which he or she has knowledge that he or she has or reasonably expects to have in any proposed or existing Arrangement with the Foundation prior to the start of any negotiations with respect to such matter. A direct or indirect financial interest required to be disclosed under this Policy shall be disclosed in writing to the Chairperson of the Board. Such disclosure shall include all material facts and supply any reasons why the Arrangement is in the best interests of the Foundation. The Chairperson of the Board shall refer the issue to the full Board, the Executive Committee, or other Board Committee having decision-making authority over the substantive matter in question (the "Board or Committee").
8. The Insider who discloses a direct or indirect financial or other material interest in a proposed or existing Arrangement may make a presentation and respond to questions by the Board or Committee, but after such presentation, he or she shall leave the meeting during the discussion of, and vote on, the Arrangement that results in the conflict of interest. As part of any such presentation, the Insider shall provide to the Board or Committee any reasons why the Arrangement is in the best interests of the Foundation. The Board or Committee shall determine whether the Foundation can obtain a more advantageous Arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest. The Board or Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed Arrangement. The Board or Committee, or its designee, generally shall identify at least three alternatives to the proposed Arrangement ("Competing Bids"). If a more advantageous contract, 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 majority vote of the disinterested members of the Board or Committee whether the Arrangement is in the Foundation's best interests and whether it is fair and reasonable to the Foundation and shall make its decision as to whether to enter into the Arrangement in conformity with such determination.

Minutes of Meeting

9. The names of the Insiders who disclosed or otherwise were found to have a direct or indirect financial or other material interest in a proposed or existing Arrangement of the Foundation, the nature of the interest, and the extent of the Insider's participation in the relevant Board or Committee meeting on matters related to the financial or other material interest shall be recorded in the minutes

for that meeting. The minutes also shall include a record of any determination as to whether the Arrangement was in the best interest of and fair and reasonable to the Foundation, notwithstanding the interest, and the specific reasons supporting the determination, including any alternatives to the proposed or existing Arrangement (i.e., Competing Bids), the names of the persons who were present for discussions and votes relating to the proposed or existing Arrangement, and a record of any votes taken in connection therewith.

Failure To Disclose

10. If the Board or Committee has reasonable cause to believe that an Insider has failed to disclose a direct or indirect financial or other material interest subject to this Policy, it shall inform the Insider of the basis for such belief and afford the Insider an opportunity to explain the alleged failure to disclose. If, after hearing the response of such individual and making such further investigation as may be warranted in the circumstances, the Board or Committee determines that the Insider has in fact failed to disclose a direct or indirect financial or other material interest subject to this Policy, it shall take appropriate disciplinary and corrective action.

Annual Disclosure Statement

11. Each Insider has a duty to place the interest of the Foundation foremost in any dealing with the Foundation and has a continuing responsibility to comply with the requirements of this Policy. Promptly following the adoption of this Policy, and annually thereafter, each Insider shall acknowledge his or her familiarity with this Policy and shall disclose in writing to the Chairperson of the Board any existing financial or other material interests subject to this Policy, of which he or she has knowledge, that he or she reasonably expects to have in any proposed or existing Arrangement with the Foundation, or in any other matter under consideration or to be considered by the Board of Directors, the Executive Committee, or any other Board Committee by completing a Conflict of Interest Disclosure Statement. The Conflict of Interest Disclosure Statements shall be reviewed by the Chairperson of the Board or his or her designee. Any issues not previously disclosed shall be referred by him or her to the Board or appropriate Committee. The Conflict of Interest Disclosure Statements shall be retained in the confidential files of the Chairperson of the Board or his or her designee.

Policy Supplements Applicable Laws

12. This Policy is intended to supplement but not replace any applicable state or federal laws governing conflicts of interest applicable to nonprofit charitable corporations.