_____ Conflict-of-Interest Policy

Adopted by the Board of Directors on _____.

1. Purpose

To protect _____ (the "Organization") when it considers a transaction or arrangement that might benefit a director, officer or key employee, or their family or business, and to help the board decide in the Organization's interest alone.

2. Who this covers

Directors, officers, committee members with board-delegated powers, and key employees (each an "Interested Person" when they have a Financial Interest).

3. What counts as a financial interest

A person has a Financial Interest if they have, directly or through family or a business:

1. an ownership or investment interest in, or a compensation arrangement with, any entity the Organization transacts with; or
2. a potential ownership, investment or compensation interest with any entity or person the Organization is negotiating with.

"Family" means spouse or partner, parents, children, siblings and their spouses, and anyone living in the same household. _____ (adjust if your bylaws define it differently)

4. Duty to disclose

An Interested Person must disclose the existence and nature of the interest to the board or committee before it considers the matter, and give the material facts.

5. Deciding whether a conflict exists

After disclosure, and after the Interested Person leaves the discussion, the remaining disinterested members decide whether a conflict exists.

6. Handling a conflict

1. The Interested Person may present information but must leave before discussion and the vote, and must not vote.
2. The chair may appoint a disinterested person or committee to look into alternatives.
3. The board approves only if, after reasonable inquiry, the disinterested majority finds the transaction fair, reasonable and in the Organization's best interest. State law may set additional rules (see the state notes).

7. Records

Minutes record: who disclosed what; the board's finding on whether a conflict existed; who was present for discussion and the vote; alternatives considered; and the vote.

8. Annual statement

Each director, officer and key employee signs the annual disclosure statement each year (see the companion annual disclosure form), confirming they received, read and agree to this policy and listing current interests.

9. Violations

If the board has reason to believe a person failed to disclose, it will tell the person and let them explain, then take appropriate action.

10. Review

The board reviews this policy every _____ years.

Secretary's certificate: I certify this policy was adopted by the Board on _____. Signed _____

State notes

- **Maine:** For a public benefit corporation, an interested transaction may be approved by a majority of disinterested directors (never a single director) after full disclosure, and only if it is fair and equitable to the corporation; the board may instead seek approval from the Attorney General or Superior Court (13-B § 718).
- **New Hampshire:** RSA 7:19-a is stricter than most policies: a transaction in which a director or officer has a financial interest over $500 a year needs a 2/3 vote of ALL disinterested board members (and at least a quorum), with the interested person out of the room, recorded in the minutes; a list of these transactions goes to the Charitable Trusts Unit each year; at $5,000 or more with one person in a year, newspaper notice and notice to the Director of Charitable Trusts come first. Loans to directors and officers are prohibited. Every NH charity must adopt conflict-of-interest and pecuniary-benefit policies — adapt section 6 to match.
- **Massachusetts:** Directors must act in good faith and in the corporation's best interests (c. 180 § 6C). Ask counsel whether any other Massachusetts rules apply to your type of organization.

Sources

- 13-B M.R.S. § 718 (director or officer conflict of interest) — https://legislature.maine.gov/legis/statutes/13-B/title13-Bsec718.html
- RSA 7:19-a (pecuniary benefit transactions with directors, officers and trustees) — https://www.gc.nh.gov/rsa/html/I/7/7-19-a.htm
- NH DOJ Charitable Trusts Unit: CTU Forms (NHCT-11 registration, NHCT-12 annual report) — https://www.doj.nh.gov/bureaus/charitable-trusts/ctu-forms
- M.G.L. c. 180, § 6C (directors' good-faith standard of care; reliance) — https://malegislature.gov/Laws/GeneralLaws/PartI/TitleXXII/Chapter180/Section6C

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