

ARNOLD COMMUNITY THEATRE TROUPE CONFLICT OF INTEREST POLICY AND PROCEDURES

Article I: Purpose

The purpose of this conflict-of-interest policy is to prevent the institutional or personal interests of Arnold Community Theatre Troupe (“ACTT”) board members, committee members with governing board-delegated powers, and any staff or employees (each, an “ACTT Individual” and collectively, “ACTT Individuals”) from interfering with the performance of their duties to ACTT, and to ensure that there is no personal, professional, or political gain at the expense of ACTT. This policy is not designed to eliminate relationships and activities that may create a duality of interest, but to require the disclosure of any conflicts of interest and the recusal of any interested party in a decision relating thereto. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflict of interest application to nonprofit and charitable organizations.

The ACTT board members and staff have a duty of loyalty to ACTT when making decisions affecting ACTT and in any transactions, dealings, or situations involving ACTT. In furtherance of this duty, it is the policy of ACTT that ACTT Individuals may not use their position as ACTT Individuals for personal, family, or professional gain. ACTT Individuals may not obtain for themselves or their relatives a financial or material benefit of any kind from their connection with ACTT. Decisions about ACTT operations and the use or disposition of ACTT assets must not be influenced by any private benefit or other personal benefit to the individuals who take part in the decision. In furtherance of these obligations, ACTT has adopted this Conflict-of-Interest Policy and Procedures.

Article II. Definitions

1. Interested Person

An Interested Person is any ACTT Individual who either has a direct or indirect Financial Interest or another potential or actual Conflict of Interest.

2. Financial Interest

An ACTT Individual has a Financial Interest if the person has, directly or indirectly, through business, investment, or family,

- a. An ownership or investment interest in any entity with which ACTT has a Transaction,
- b. A compensation arrangement with ACTT or with any entity or individual with which ACTT has a Transaction, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which ACTT is negotiating a Transaction.

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

A Financial Interest is not necessarily a Conflict of Interest. An ACTT Individual who has a

Financial Interest may have a Conflict of Interest only if the appropriate governing board or committee decides that a Conflict of Interest exists.

3. Disinterested Person

A Disinterested Person is any ACTT Individual who does not have either:

- a. a Conflict of Interest with respect to the Transaction, or
- b. a familial, financial, professional, or employment relationship with a second ACTT Individual who does have a Conflict of Interest with respect to the Transaction, which relationship could reasonably be expected to exert an influence on the first ACTT Individual's judgment when voting on the Transaction.

4. Transaction

A Transaction is any existing or proposed arrangement involving the exchange of one thing of value for another thing of value which occurs, or is proposed to occur, between ACTT and one or more other parties.

5. Related Person

A Related Person is

- a. The spouse, parent, sibling, child, grandchild, or parent of an ACTT Individual, or an individual having the same home as an ACTT Individual, or a trust or estate of which an individual specified in this paragraph is a substantial beneficiary, or
- b. A trust, estate, incompetent, conservatee, or minor of which an ACTT Individual is a fiduciary.

6. Conflict of Interest

A Conflict of Interest is any circumstance where an ACTT Individual (through him or herself or a Related Person):

- a. knows that he or she might receive a financial or personal benefit from the Transaction such that the potential benefit would reasonably be expected to exert an influence on the ACTT Individual's judgment if he or she were called upon to vote on the Transaction; or
- b. knows that his or her partner, employer, employee, personal friend, or business associate is either a party to the Transaction or might receive a financial or personal benefit from the Transaction such that such potential benefit would reasonably be expected to exert an influence on the ACTT Individual's judgment if he or she were called upon to vote on the Transaction; or

- c. has personal interests (whether through him or herself or through a Related Person, personal friend, business associate, business, employer, employee, or a significant creditor or debtor) which could reasonably be expected to exert an influence on the ACTT Individual's judgment regarding general ACTT matters or impair his or her ability to act in ACTT's best interests.

It is important to note that a Conflict of Interest exists if a decision could be influenced (i.e., perceived conflict of interest) — it is not necessary that influence actually take place.

7. Situation

A Situation is a Conflict of Interest arising from the circumstance described in Article II (6)(c).

Article III. Conflict of Interest Examples

Examples in which a Conflict of Interest may arise include, but are not limited to, the following:

1. Transactions between ACTT and an ACTT Individual in connection with the purchase or sale of property;
2. Transactions with persons and organizations from which ACTT leases property and equipment;
3. Transactions with persons and organizations supplying goods and commercial services to ACTT;
4. Transactions with competing or collaborating organizations;
5. Transactions with donors and others supporting ACTT; and
6. Transactions with organizations or individuals receiving grants from ACTT.

These examples are not exhaustive. Conceivably, a Conflict of Interest might arise in other areas or through other relations. The examples are intended to help ACTT Individuals recognize a potential Conflict of Interest.

The fact that one of the examples above, or an analogous situation, exists does not automatically mean that a Conflict of Interest exists. Even if the Conflict of Interest exists, it does not automatically mean that the Conflict of Interest is material enough to be of practical importance, or that it is necessarily adverse to the interests of ACTT. A Conflict of Interest must be evaluated on a case-by-case basis considering all the facts and circumstances.

Article IV. Procedures for Identifying and Addressing a Conflict of Interest

1. **Duty to Disclose:** With respect to any Transaction or Situation in which a Conflict of Interest may be present, an Interested Person must disclose to the ACTT board any Conflict of Interest that he or she has regarding the Transaction or Situation prior to any action by the

board and prior to consummation of any Transaction to which ACTT is a party, whether or not the board takes action.

2. **Determining Whether a Conflict of Interest Exists:** When a potential Conflict of Interest has been identified, the following procedure shall be followed:
 - a. The Interested Person shall disclose his or her potential Conflict of Interest and all facts known to him or her regarding the subject matter of the Transaction or Situation that an ordinarily prudent person would reasonably believe to be material to a judgment about whether or not to proceed with the Transaction or how to deal with the Situation.
 - b. The Disinterested Persons may discuss the disclosure with the Interested Person, if desired.
 - c. The Interested Person and any other non-Disinterested Persons shall leave the meeting.
 - d. The Disinterested Persons shall decide whether a Conflict of Interest exists.
3. **Procedures for Addressing a Conflict of Interest:** If it is determined that a Conflict of Interest exists, the following procedures shall be followed:
 - a. Determine whether any conditions or other measures should be taken to reduce or eliminate an actual or potential Conflict of Interest.
 - i. Measures may include (a) approving or disapproving any Transaction or Situation at issue; (b) requiring the ACTT Individual to remove himself or herself from positions in which the Conflict of Interest exists until there is no longer a conflict; or (c) requiring the ACTT Individual to discontinue, reduce, or modify his or her participation in the board or committees where the Conflict of Interest exists.
 - b. The Transaction or Situation may be approved only upon the affirmative vote of a majority, but no fewer than three, of the Disinterested Persons.
 - c. In addition to the procedures described in a-b, ACTT Individuals have an obligation to address any perceived Conflict of Interest of other ACTT Individuals if they are aware of such Conflict of Interest with respect to matters pertaining to ACTT.
4. **Violations of the Conflict of Interest Policy:** If an ACTT Individual has reasonable cause to believe an ACTT Individual has failed to disclose a potential Conflict of Interest, they shall inform the individual of the basis for such belief and afford him or her the opportunity to explain the alleged failure to disclose. If, after hearing the response, the Disinterested Persons determine that the individual has failed to disclose a potential Conflict of Interest, they shall take appropriate disciplinary and corrective action.

Article V. Records of Proceedings

The minutes of ACTT board meetings shall contain: (i) the names of the persons who disclosed or were otherwise found to have a Conflict of Interest, any action taken to determine whether a

Conflict of Interest was present, and the decision as to whether a Conflict of Interest existed; and (ii) the names of persons present for discussions or votes relating to the Transaction or Situation, the content of the discussion (including any alternatives to the proposed Transaction or Situation), and any votes taken.

The minutes of the meeting of the board or its committee shall reflect that the Conflict of Interest was disclosed, that the Interested Person was not present during discussion or decision on the matter, and that the Interested Person did not vote.