

**Conflict of Interest and Compensation Policy of Carolina Trace Association, Inc.
("CTA")**

Adopted by the Board of Directors on 12/01/2020

I. Overview

1. Purpose

The purpose of this Conflict of Interest Policy (the "policy") is to protect CTA's interests when it is considering taking an action or entering into a transaction that might benefit the private interests of a director, officer or **key person**¹, result in the payment of excessive compensation to a director, officer or key person; or otherwise violate state and federal laws governing conflicts of interest applicable to nonprofit, charitable organizations.

2. Why is a policy necessary?

As a nonprofit, charitable organization, CTA is accountable to both government agencies and member Associations for responsible and proper use of its resources. Directors, officers and volunteers have a duty to act in CTA's best interests and may not use their positions for their own financial or personal benefit.

Conflicts of interest must be taken very seriously since they can damage CTA's reputation and expose both CTA and affiliated individuals to legal liability if not handled appropriately. Even the appearance of a conflict of interest should be avoided, as it could undermine public support for CTA.

3. To whom does the policy apply?

This policy applies to all directors, officers and key persons ("you")².

II. Identifying Conflicts of Interest

1. What is a conflict of interest?

A potential conflict of interest arises when a director, officer or key person, or that person's **relative**³ or business (a) stands to gain a financial benefit from an action CTA takes or a transaction into which CTA enters; or (b) has another interest that impairs, or could be seen to impair, the independence or objectivity of the director, officer or key person in discharging their duties to CTA.

¹ **Key person** means a person, other than a director or officer, whether or not an employee of CTA, who:

- a) has responsibilities, or exercises powers or influence over CTA as a whole similar to the responsibilities, powers, or influence of directors and officers;
- b) manages CTA, or a segment of CTA that represents a substantial portion of the activities, assets, income, or expenses of CTA; or
- c) alone or with others controls or determines a substantial portion of CTA's capital expenditures or operating budget.

² Organizations may choose to make the policy applicable to all of their employees, not just key persons.

³ **Relative** means a person's spouse or domestic partner, ancestors, brothers and sisters (whether whole or half-blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses or domestic partners of brothers, sisters, children, grandchildren and great-grandchildren.

2. **What are some examples of potential conflicts of interest?**

It is impossible to list all the possible circumstances that could present conflicts of interest. Potential conflicts of interest include situations in which a director, officer or key person or that person's relative or business:

- has an ownership or investment interest in any third party that CTA deals with or is considering dealing with;
 - serves on the board of, participates in the management of, or is otherwise employed by or volunteers with any third party that CTA deals with or is considering dealing with;
 - receives or may receive compensation or other benefits in connection with a transaction into which CTA enters;
 - receives or may receive personal gifts or loans from third parties dealing with CTA;
 - serves on the board of directors of another nonprofit organization that is competing with CTA for a grant or contract;
 - has a close personal or business relationship with a participant in a transaction being considered by CTA;
 - would like to pursue a transaction being considered by CTA for their personal benefit.
3. In situations where you are uncertain, err on the side of caution and disclose the potential conflict as set forth in Section III of this policy.
 4. **A potential conflict is not necessarily a conflict of interest.** A person has a conflict of interest only if the audit committee decides, pursuant to Section IV of this policy, that a conflict of interest exists.⁴

III. **Disclosing Potential Conflicts of Interest**

1. You must disclose to the best of your knowledge all potential conflicts of interest as soon as you become aware of them and always before any actions involving the potential conflict are taken. Submit a signed, written statement disclosing all the material facts to the audit committee.
2. You must file an annual disclosure statement in the form attached to this policy. **If you are a director**, you must also file this statement right after your initial election. Submit the form to the chair of the Finance committee.

IV. **Determining Whether a Conflict of Interest Exists**⁵

1. After there has been disclosure of a potential conflict and after gathering any relevant information from the concerned director, officer or key person, the Finance committee shall determine whether there is a conflict of interest. The director, officer or key person shall not be present for deliberation or vote on the matter and must not attempt to influence improperly the determination of whether a conflict of interest exists.

⁴ Alternatively, the policy could provide for disclosure (1) to the board of directors, in which case, the board would decide both whether there is a conflict and how to handle the conflict; or (2) to a different board committee.

⁵ Alternatively, the policy could provide for disclosure (1) to the board of directors, in which case, the board would decide both whether there is a conflict and how to handle the conflict; or (2) to a different board committee.

2. In determining whether a conflict of interest exists, the audit committee shall consider whether the potential conflict of interest would cause a transaction entered into by CTA to raise questions of bias, inappropriate use of CTA's assets, or any other impropriety.
3. A conflict always exists in the case of a **related party transaction** – a transaction, agreement or other arrangement in which a **related party**⁶ has a financial interest and in which CTA or any affiliate of CTA is a participant.⁷
4. If the audit committee determines that there is a conflict of interest, it shall refer the matter to the board of directors ("board").

V. Procedures for Addressing a Conflict of Interest

1. When a matter involving a conflict of interest comes before the board, the board may seek information from the director, officer or key person with the conflict prior to beginning deliberation and reaching a decision on the matter. However, a conflicted person shall not be present during the discussion or vote on the matter and must not attempt to influence improperly the deliberation or vote.
2. **Additional Procedures for Addressing Related Party Transactions**
 - a. CTA may not enter into a related party transaction unless, after good faith disclosure of the material facts by the director, officer or key person, the board or a committee authorized by the board determines that the transaction is fair, reasonable and in CTA's best interest at the time of such determination.
 - b. If the related party has a substantial financial interest, the board or authorized committee shall:
 - i. prior to entering into the transaction, consider alternative transactions to the extent available;
 - ii. approve the transaction by a vote of not less than a majority of the directors present at the meeting; and

⁶ A **related party** is:

- a) a director, officer or key person of CTA or any affiliate of CTA, or
- b) a relative of any individual described in (1), or
- c) an entity in which any individual described in (1) or (2) has an ownership or beneficial interest of 35% or more, or in the case of a partnership or professional Corporation, a direct or indirect ownership interest in excess of 5%.

⁷ A transaction is not a related party transaction if:

- a) the transaction, or the related party's financial interest in the transaction, is de minimis;
- b) the transaction would not customarily be reviewed by the board or the boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms;
- c) the transaction constitutes a benefit provided to a related party solely as a member of a class of the beneficiaries that CTA intends to benefit as part of the accomplishment of its mission (and that benefit is available to all similarly situated members of the same class on the same terms).

- iii. contemporaneously document in writing the basis for its approval, including its consideration of any alternative transactions.
- iv. at the board discretion, it can approve in advance recurring transactions with a party for a calendar year as long as the conditions mentioned in point ii and iii are met.

VI. Minutes and Documentation

The minutes of any board meeting at which a matter involving a conflict of interest or potential conflict of interest was discussed or voted upon shall include:

- a. the name of the interested party and the nature of the interest;
- b. the decision as to whether the interest presented a conflict of interest;
- c. any alternatives to a proposed contract or transaction considered by the board; and
- d. if the transaction was approved, the basis for the approval.

VII. Prohibited Acts

CTA shall not make a loan to any director or officer.

VIII. Procedures for Determining Compensation

1. No person shall be present for or participate in board or committee discussion or vote pertaining to:
 - a. their own compensation;
 - b. the compensation of their relative;
 - c. the compensation of any person who is in a position to direct or control them in an employment relationship;
 - d. the compensation of any person who is in a position to directly affect their financial interests; or
 - e. any other compensation decision from which the person stands to benefit.
2. In the case of compensation of Key Persons, the following additional procedures apply:
 - a. The board or a committee authorized by the board shall approve compensation before it is paid.
 - b. The board or authorized committee shall base approval of compensation on appropriate data, including compensation paid by comparable organizations.
 - c. The board or authorized committee shall contemporaneously document:
 - i. the terms of compensation and date of determination;
 - ii. the members of the board or committee who were present and those who voted for it;
 - iii. the comparability data relied on and how it was obtained;

- iv if the compensation is higher or lower than the range of comparable data, the basis for the determination, and;
- v. any actions with respect to consideration of the compensation by anyone on the board or committee who had a conflict of interest with respect to the matter.

Carolina Trace Association, Inc.
Conflict of Interest Disclosure Statement

By signing below, I affirm that:

1. I have received and read a copy of the Conflict of Interest Policy;
2. I agree to comply with the policy;
3. I have no actual or potential conflicts as defined by the policy or if I have, I have previously disclosed them as required by the policy or am disclosing them below.

Disclose here, to the best of your knowledge:

1. any entity in which you participate (as a director, officer, employee, owner, or member) with which CTA has a relationship;
2. any transaction in which CTA is a participant as to which you might have a conflicting interest; and
3. any other situation which may pose a conflict of interest.

Name:

Position:

Signature:

Date: