

# CAIN CENTER FOR THE ARTS

## CONFLICT OF INTEREST POLICY

### Purpose of Policy and Duties of Directors and Officers

The directors, officers<sup>1</sup> and key employees<sup>2</sup> (each an “Insider”, together the “Insiders”) of Cain Center for the Arts (the “Organization”) owe a duty of loyalty to the Organization, which requires that in serving the Organization they act, not in their personal interests or in the interests of others, but rather solely in the interests of the Organization. Insiders must have an undivided allegiance to the Organization’s mission and may not use their position as Insiders, information they have about the Organization or the Organization’s property, in a manner that allows them to secure a pecuniary or other material benefit for themselves or their relatives.<sup>3</sup> Accordingly, no Insider may use his or her position at the Organization for personal gain or to benefit another at the expense of the Organization, 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 Organization. This Policy is intended to protect the Organization’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 Organization. The Organization 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 Organization. This requires using common sense, being diligent and attentive to the Organization’s needs, and making thoughtful decisions in the best interests of the Organization.

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<sup>1</sup> 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.

<sup>2</sup> 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 Organization and all related organizations in excess of \$150,000 for the calendar year ending with or within the Organization’s tax year; and
2. Responsibility Test. The employee: (a) has responsibilities, powers or influence over the Organization as a whole that are similar to those of officers, directors or trustees; (b) manages a discrete segment or activity of the Organization that represents 10% or more of the activities, assets, income, or expenses of the Organization, as compared to the Organization as a whole; or (c) has or shares authority to control or determine 10% or more of the Organization’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 Organization and related organizations for the calendar year ending with or within the Organization’s tax year.

<sup>3</sup> 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.

No Insider may take personal advantage of a business opportunity that is offered to the Organization unless the Board of Directors of the Organization first determines not to pursue such opportunity.

Each Insider must protect the confidential information of the Organization and must not use confidential information of the Organization for his or her personal benefit, or use such confidential information or his or her position as an Insider to the detriment of the Organization. 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 Organization 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 Organization.
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, 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 Organization 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 Organization 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 Organization has or is negotiating an Arrangement or with any involved organization with respect to the Arrangement.

### **Disclosure of Interest and Participation in Meeting**

3. Each Insider of the Organization 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 Organization 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 Organization. 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”).
4. 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 Organization. The Board or Committee shall determine whether the Organization 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 Organization’s best interests and whether it is fair and reasonable to the Organization and shall make its decision as to whether to enter into the Arrangement in conformity with such determination.

### **Minutes of Meeting**

5. 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 Organization, 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 Organization, 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**

6. 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**

7. Each Insider has a duty to place the interest of the Organization foremost in any dealing with the Organization 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 Organization, 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**

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

Adopted on \_\_\_\_\_

**CAIN CENTER FOR THE ARTS**

**CONFLICT OF INTEREST POLICY**

**ANNUAL DISCLOSURE STATEMENT**

The Conflict of Interest Policy of Cain Center for the Arts (the “Organization”) requires each director, officer and key employee (each an “Insider”) of the Organization to 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 contract, transaction, or arrangement with the Organization, or in any other matter under consideration or to be considered by the Board of Directors, the Executive Committee, or any other Board Committee.

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**Please initial each statement that applies to you:**

- I have read, understand and agree to comply with the Conflict of Interest Policy.
- I am not aware of any direct or indirect financial or other material interest that is required to be disclosed under the Conflict of Interest Policy.
- I have described in the attached letter every direct or indirect financial or other material interest, of which I have knowledge that is required to be disclosed under the Conflict of Interest Policy. (Please attach a letter providing complete details of any such direct or indirect financial or other material interest subject to the Policy.)

During the time I am an Insider (as such term is defined in the Policy) of the Organization, I agree to report promptly any future situation of which I become aware that might involve or appear to involve me, any of my relatives, or any business closely associated with me or any of my relatives, in any potential conflict of interest with the Organization.

I am completing this disclosure statement based on and in reference to the Conflict of Interest Policy.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Please return this statement not later than \_\_\_\_\_.**