



**Small Loans. Big Changes.**

## **CONFLICT OF INTEREST POLICY**

**OF**

## **50/50 MICROFINANCE ENTERPRISES**

### **ARTICLE I**

#### **Purpose**

The purpose of this conflict of interest policy is to protect the interest of 50/50, a non-profit tax-exempt organization, when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of 50/50 or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

### **ARTICLE II**

#### **Definitions**

1. **Interested Person:** Any director, principal officer, or member of a committee with governing board delegated powers, or any employee or volunteer of the organization invested with decision-making authority, who has a direct or indirect financial interest, as defined below, is an interested person.

2. **Financial Interest:** A person 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 50/50 enters into a transaction or arrangement,
- b. A compensation arrangement with 50/50 or with any entity or individual with which 50/50 has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which 50/50 is negotiating a transaction or arrangement.

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. Under Article III, Section 2, a person 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. **Conflicting Interest:** A conflicting interest may be defined as an interest or relationship, direct or indirect, with any persons or firms functioning as suppliers, customers, donors, or competitors to 50/50 in which an individual (or an affiliated person—please see below) may benefit from affiliation with 50/50 in such a way that the individual's interests diverge from, or compete with, the organization's. Such conflicts include, but are not limited to:

- a. Owning stock or holding debt or other proprietary interests in any third party interacting with 50/50.
- b. Holding office, serving on the board, participating in management, or being otherwise employed with any third party interacting with 50/50.
- c. Receiving remuneration for services with respect to individual transactions involving 50/50.
- d. Using 50/50's personnel, equipment, supplies, or good will for activities, programs, and purposes not approved by the organization.
- e. Receiving personal gifts or loans from third parties dealing or competing with 50/50.

4. **Affiliated Persons:** The conflict of interest policy shall apply not only individuals with decision-making authority at 50/50 but also to affiliated persons, defined as:

- a. Spouses, domestic partners, children, parents, or siblings.
- b. Any other organization or corporation of which the individual is a board member, officer, partner, or employee.
- c. Any trust or other estate in which there is a substantial beneficial interest.

## ARTICLE III

### Procedures

1. **Duty to Disclose:** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees considering the proposed transaction or arrangement.

2. **Determining Whether a Conflict of Interest Exists:** After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. **Procedures for Addressing the Conflict of Interest:** An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

- a. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b. After exercising due diligence, the governing board or committee shall determine whether 50/50 can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- c. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. **Violations of the Conflicts of Interest Policy:** If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

- a. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines that in fact no conflict of interest exists, the decision shall be recorded and the activity permitted to proceed.

## **ARTICLE IV**

### **Records of Proceedings**

The minutes of the governing board and all committees with board delegated powers shall contain:

- a. The names of persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the decision by the governing board or committee as to whether a conflict of interest in fact existed.
- b. The names of persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

## **ARTICLE V**

### **Compensation**

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **ARTICLE VI**

### **Annual Statements**

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflict of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and

- d. Understands that 50/50 is a charitable organization and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

## **ARTICLE VII**

### **Periodic Reviews**

To ensure that 50/50 operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to 50/50's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in impermissible private benefit or in an excess benefit transaction.

## **ARTICLE VIII**

### **Use of Outside Experts**

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.