

TARIFFVILLE VILLAGE ASSOCIATION, INC.
CONFLICT OF INTEREST POLICY

I. Statement of Policy

Tariffville Village Association, Inc. (the “Corporation”) is a charitable organization formed exclusively for the purposes set forth in its charter. To prevent conflicts of interest and the appearance of conflicts in connection with the pursuit of its mission, the Corporation adopts this conflict of interest policy that sets forth appropriate review and approval procedures and minimum standards of conduct for the directors and officers of the Corporation. The intent of this policy is to establish procedures that meet the disclosure, voting and other requirements set forth in Sections 33-1127 through 33-1130 of the Connecticut General Statutes and in Section 4958 of the Internal Revenue Code, and any regulations promulgated thereunder.

II. Disclosure of Potential Conflict

A Potential Conflict of Interest exists in any situation where the Corporation provides an economic benefit to an “insider” or a Disqualified Person (see definitions in Section VI), including contracts for goods or services.

(A) Identification of Potential Conflict Of Interest

An “Insider” must alert the Board of Directors if any action taken by the Board will result directly or indirectly in an economic benefit to themselves or any other person, corporation, trust or estate that meets the definition set forth in VI.A. by virtue of their relationship with the Insider. This disclosure must include the existence and nature of the conflicting interest and all facts known to the Insider respecting the subject matter of the transaction that an ordinarily prudent person would reasonably believe to be material to a judgment about whether to proceed with the transaction.

(B) Disqualification

An Insider of the Corporation shall disqualify himself or herself and shall not participate in the discussion or approval of any matter where any direct or indirect economic benefit will be derived by that Insider Person or any other person, corporation, trust or estate who meets the definition set forth in VI.A. by virtue of their relationship with the Insider. The disqualification must be an oral announcement to the Board and be so noted in the minutes of any meeting in which the matter is discussed.

(C) Annual Declaration of Interests

Annually all individuals identified as Insiders under VI.A.(1) will complete a “Declaration of Interests” to be kept on file by the Corporation. This form will require disclosure of any conduct of business with the Corporation over the past fiscal year by all of the following:

- (1) All individuals who become Insiders by virtue of their relationship as defined in VI.A.(2), and their potential interests, and
- (2) All corporations and trusts or estates in which any of the Insiders have an interest of 35% or greater as defined in VI.A.(3) and (4).

III. Approval of Matters with Potential Conflicts of Interest

In order to avoid approval of any excess benefit transaction and to protect the Corporation and its Board of Directors from liability under the Internal Revenue Code (26 CFR § 53 and § 301), under Section 33-1127 – 33-1130 of the Connecticut General Statutes and under any other state or federal law pertaining to conflict of interest, the following procedures must be followed when any transaction may provide an economic benefit as defined in VI.B of this policy to an Insider as defined in VI.A of this policy.

(A) Documentation and Description of Potential Conflict

The exact nature of the relationship of the Insider to the Corporation and the direct or indirect economic benefit that will be provided must be documented for recording with the minutes of any meeting where the matter is discussed.

(B) Collection of Information

Prior to approval or major revision of any matter where a conflict or potential conflict exists, a report that adequately evaluates the market for services substantially similar to those proposed must be presented to the Board. This could include bids from three (3) or more similar vendors, a review of similar contracts by other organizations procuring similar services, a review of salaries for staff of comparable nonprofit organizations or any other independent market analysis that is satisfactory to the Board.

(C) Excess Benefit Determination

- (1) Once the Board has reviewed the report described in III.(B.), a vote must be taken to determine that the proposed transaction does not provide an excess benefit to the Insider. This vote must be taken independently of the approval of the given transaction or program. If the Board has reasonably determined that the proposed transaction does not provide an excess benefit to the Insider, then they may vote to approve or disapprove the transaction, contract, compensation agreement or program.
- (2) The Board may rely on the advice of counsel expressed in a reasoned written legal opinion that any transaction to be acted upon by the Board is not an excess benefit transaction as defined in I.R.C. §4958.

IV. Revisions and Modifications of Matters Involving a Conflict of Interest

Any substantial revision or modification of a transaction, contract or relationship that initially required excess benefit transaction determination by the Board will require redetermination using the procedure outlined in section III. at the time of revision.

V. Potential Liability For Excise Tax

The IRS regulations state that an “organization manager,” which primarily means a director or officer, who participates in approving an excess benefit transaction will be liable for payment of an excise tax equal to 10% of the excess benefit (which cannot exceed \$10,000 with respect to any one transaction) unless the participation was not willful and was due to reasonable cause. A director will be considered as having participated in a decision regarding an excess benefit transaction if he or she remains silent or inactive with respect to the decision, but not if he or she opposes the approval of the transaction. If the board can demonstrate it has acted reasonably in concluding that there was no excess benefit and in approving the transaction, then it is unlikely that the tax will be imposed.

VI. Definitions

(A) Insiders (Disqualified Persons)

For purposes of this policy, an Insider, which is intended to cover the same individuals and entities as a “Disqualified Person” as defined in Section 4958 of the Internal Revenue Code, is anyone who meets one of the following categories or would have in the last 5 years:

- (1) Any person who was in a position to exercise substantial influence over the affairs of the organization, including but not limited to Board members, officers, or any member of the governing body that can vote.
- (2) Family members or Related Persons of Insiders listed in VI.A.(1) above, are also Insiders. “Family member” includes any spouse, sibling (whole or half blood), ancestors, children, grandchildren, great grandchildren, and spouses of any of those listed. Related Persons include Family Members, individuals having the same home as a Board Member, and a trust, estate, incompetent, conservatee or minor of which the Board member is a fiduciary.
- (3) Any corporation in which an Insider under VI.A. (1) and (2) owns more than 35% of the combined voting power.
- (4) Any trust or estate in which an Insider under VI.A. (1) and (2) owns more than 35% of the beneficial interest.
- (5) Any corporation of which the Insider is a director, general partner, agent or employee.
- (6) Any individual who is a partner, principal or employee of any director.

(B) Economic Benefit

An “economic benefit” shall be defined as any payment, and transfer of property or rights, whether direct or indirect.

(C) Excess Benefit, Excess Benefit Transaction

An “excess benefit transaction” is any transaction, contract or compensation agreement between a tax-exempt organization and a Disqualified Person where the amount paid or to be paid to the Disqualified Person exceeds the value of the consideration (including the performance of services) received for providing such benefit. An “excess benefit” is equal to the difference between what is actually paid to a Disqualified Person and what the services the Disqualified Person performs are reasonably worth.

VII. Conflict of Laws

Other state or federal laws or regulations relating to conflicts of interest shall apply where the provisions of those laws or regulations are more stringent than this Conflict of Interest Policy.