

**CONFLICT OF INTEREST POLICY OF  
ATLANTA LEGAL AID SOCIETY, INC.**

As adopted December \_\_, 2011

**ARTICLE I  
PURPOSE**

The purpose of the Conflict of Interest Policy of ATLANTA LEGAL AID SOCIETY, INC. (the “Society”) is to protect the Society’s interest when it is contemplating entering into a contract or transaction that might benefit the private interest of a director or officer of the Society. This policy is intended to supplement but not replace the conflict of interest provisions of the Bylaws of the Society or any applicable state and federal laws governing conflict of interest applicable to nonprofit organizations.

**ARTICLE II  
DEFINITIONS**

For purposes of this policy, the following terms have meanings set forth in this Article II.

1. **Interested Person.** Any director or officer of the Society who has a direct or indirect financial interest, as defined below, is an interested person.
2. **Financial Interest.** A director or officer has a financial interest if the director or officer has, directly or indirectly through a related person:
  - a. An ownership or investment interest in any entity with which the Society is contemplating or negotiating a contract or transaction, or
  - b. A compensation arrangement with any entity or individual with which the Society is contemplating or negotiating a contract or transaction.

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

The right to reimbursement of out-of-pocket expenses incurred by interested persons in connection with the performance of duties or responsibilities related to the Society’s activities shall not be considered a financial interest.

An ownership or investment interest excludes any investment in a public company that does not exceed 1% of the voting or economic interest in such public company.

A financial interest is not necessarily a conflict of interest. Under Article IV, section 2, a person who has a financial interest may have a conflict of interest only if the Board of Directors decides that a conflict of interest exists.

3. Officer. An employee having financial authority.
4. Related Person. A related person to a director or officer of the Society means (i) the spouse (or a parent or sibling thereof) of the director or officer, or a child, grandchild, sibling, parent (or spouse of any thereof) or an individual having the same household as the director or officer, or a trust or estate of which an individual specified in this clause is a substantial beneficiary. or (ii) a corporation, partnership, association, trust or other entity in which such director or officer, or family member of such director or officer, serves as a director, officer, partner or trustee, or has a financial interest.

**ARTICLE III**  
**TRANSACTIONS WITH INTERESTED OR RELATED PERSONS**

Pursuant to the Bylaws of the Society, no interested or related person shall be permitted to enter into any contract or transaction with the Society unless:

- a. The director or officer who is the interested person discloses to the Board of Directors of the Society the material facts as to interested person's interest in the proposed contract or transaction, and the Board of Directors authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors (even though the disinterested directors may constitute less than a quorum); and
- b. The contract or transaction is fair to the Society.

**ARTICLE IV**  
**PROCEDURES**

1. Duty to Disclose. In connection with any actual or possible conflict of interest, the interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Board of Directors, which must consider the proposed contract or transaction.
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, the interested person shall leave the Board of Directors' meeting while the determination of a conflict of interest is discussed and voted upon. The Board of Directors (excluding the interested person if he or she is a director) shall decide if a conflict of interest exists.
3. Procedures for Addressing the Conflict of Interest.
  - a. If a conflict of interest is determined to exist, the interested person may make a presentation at the Board of Directors' meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the contract or transaction involving the conflict of interest.

- b. The President of the Society shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed contract or transaction.
- c. After exercising due diligence, the Board of Directors shall determine whether the Society can obtain with reasonable efforts a more advantageous contract or transaction from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous contract or transaction is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board of Directors shall determine, by a majority vote of the disinterested members, whether the contract or transaction is fair to the Society. In conformity with the above determination, the Board of Directors shall make its decision as to whether to enter into the contract or transaction.

Factors to be considered in determining whether the contract or transaction is fair to the Society include an examination of the following:

- (i) The price and terms of the contract or transaction (which may vary, but must be on a level that the Board of Directors would accept in an arm's-length negotiation, in light of the knowledge that the Board of Directors would reasonably have acquired in the course of such negotiation); and
- (ii) Whether the Board of Directors would reasonably determine that the contract or transaction was in the best interests of the Society.

#### 4. Violations of the Conflict of Interest Policy.

- a. If the Board of Directors has reasonable cause to believe an officer or director has failed to disclose an actual or possible conflict of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the Board of Directors determines that the person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate corrective action.
- c. If a director or officer of the Society, or any related person to such director or officer, enters into any contract or transaction with the Society without complying with this Conflict of Interest Policy, the Board of Directors may, at its sole discretion:
  - (i) Void the contract or transaction in its entirety and recover from such director or officer any damages and expenses suffered or incurred by the Society as a result of the contract or transaction; or
  - (ii) Modify the price and terms of the contract or transaction so that the

Society receives a price and terms comparable to what the Society would receive in an arm's-length negotiation.

#### **ARTICLE V** **RECORDS OF PROCEEDINGS**

The minutes of the Board of Directors shall contain:

1. The names of the 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 Board of Directors' decision as to whether a conflict of interest in fact existed.
2. The names of the persons who were present for discussions and votes relating to the contract or transaction, the content of the discussion, including any alternatives to the proposed contract or transaction, and a record of any votes taken in connection with the proceedings.

#### **ARTICLE VI** **ANNUAL STATEMENTS**

Each director or officer of the Society shall annually sign a statement affirming that such person:

1. Has received a copy of this Conflict of Interest Policy,
2. Has read and understands the policy,
3. Has agreed to comply with the policy,
4. Has received and reviewed a listing of the Society's significant transactions (i.e., those greater than \$50,000), and
5. Understands that the Society is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities designed to accomplish one or more of its tax-exempt purposes.

#### **ARTICLE VII** **PERIODIC REVIEWS**

To ensure that the Society operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, analyze whether compensation arrangements and benefits are reasonable and are the result of arm's length bargaining. When conducting the periodic reviews, the Society may, but need not, use outside advisors. The use of outside advisors shall not relieve the Board of Directors of its responsibility for ensuring that periodic reviews are conducted.