

Conflict of Interest Policy and Disclosure

The Chapel Hill Tennis Club, Inc.

Adopted by the Board of Directors on February 16, 2021

I. Overview

1. Purpose

The purpose of the Conflict of Interest Policy (the “policy”) is to protect the interests of The Chapel Hill Tennis Club, Inc. (“CHTC”) when it is considering taking an action or entering into a transaction that might benefit the private interests of a director, officer or employee with authority to influence CHTC transactions, or that may result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit organizations.

2. Why is a policy necessary?

As a nonprofit, 501(c)(7) social club, CHTC is accountable to both government agencies and its membership for responsible and proper use of its resources. Directors, officers, and employees have a duty to act in the best interests of CHTC and may not use their positions for their own financial or personal benefit.

3. To whom does the policy apply?

This policy applies to all interested persons, as defined below, and members of committees with board delegated powers.

II. Definitions

1. **Interested Person:** Any director or officer, and any employee who has the authority to influence transactions or contractual arrangements that represent a substantial portion of the activities, assets, income or expenses of CHTC is an interested person.

2. **Financial Interest:** A person has a “financial interest” if the person, directly or indirectly, through business, investment or family:

- a. has an ownership or investment interest in any entity that CHTC deals with or is considering dealing with;
- b. serves on the board of, participates in the management of, or is otherwise employed by or volunteers with any third party that CHTC deals with or is considering dealing with;
- c. receives or may receive compensation or other benefits in connection with a transaction into which CHTC enters;
- d. receives or may receive personal gifts or loans from third parties dealing with CHTC;
- e. serves on the board of directors of another nonprofit organization that is competing with CHTC for a grant or contract;
- f. has a close personal or business relationship with a participant in a transaction being considered by CHTC;
- g. would like to pursue a transaction being considered by CHTC for their personal benefit.

3. **Relative:** A 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.
4. **Related party:** (1) an interested person of CHTC or any affiliate of CHTC, or (2) a relative of any individual described in (1), or (3) 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%.
5. **Related party transaction:** a transaction, agreement or other arrangement in which a related party has a financial interest and in which CHTC is a participant.
6. **Potential conflict of interest:** A potential conflict of interest arises when a director, officer or interested person, or that person's relative or business (a) stands to gain a financial benefit from an action CHTC takes or a transaction into which CHTC enters; or (b) has another interest that impairs, or could be seen to impair, the independence or objectivity of the director, officer or interested person in discharging their duties to CHTC.

III. Disclosing Potential Conflicts of Interest

1. You must file an annual disclosure statement in the form attached to this policy. Submit the form to the Board. A copy of this policy shall be provided to any prospective Board candidates.
 - a. You must disclose to the best of your knowledge all potential conflicts of interest to the board as soon as you become aware of them and always before any actions involving the potential conflicts are taken.
 - b. In situations where you are uncertain, err on the side of caution and disclose the potential conflict as set forth in this policy.
2. Because CHTC board members are sometimes involved in staff personnel and compensation discussions and decisions, the following is to be disclosed as part of this COI policy for any director and relative involved with CHTC staff:
 - a. Any financial arrangements with interested persons including but not limited to loans, investments, mortgages and/or third-party interests.
 - b. Any arrangements or situations with staff that might prevent a director from arriving at an unbiased decision.
 - c. Any relative employed by CHTC either full time, part time or as a contractor.

IV. Handling a Conflict of Interest

1. When a conflict of interest (or a potential conflict of interest) is relevant to a matter requiring action by the Board, the interested person shall call it to the attention of the Board; the interested person shall not participate in the final decision or related deliberation regarding the matter under consideration and shall not vote on the matter. When there is a doubt as to whether a conflict exists, the matter shall be resolved by vote of the Board, excluding the person concerning whose situation the doubt has arisen.

- a. In determining whether a conflict of interest exists, the board shall consider whether the potential conflict of interest would cause a transaction entered into by CHTC to raise questions of bias, inappropriate use of CHTC's assets, or any other impropriety.
 - b. The above sections shall not be construed as preventing an interested person, prior to exclusion, from briefly answering pertinent questions from other Board members concerning the matter, if his or her knowledge may be of assistance to the Board.
2. A conflict always exists in the case of a related party transaction. CHTC may not enter into a related party transaction unless, after good faith disclosure of the material facts by the interested person, the Board (or a committee authorized by the Board), acting without the participation of the interested party, determines that the transaction is fair, reasonable and in the best interest of CHTC at the time of such determination.
- a. A transaction is not a related party transaction if:
 - i. the transaction, or the related party's financial interest in the transaction, is de minimis;
 - ii. 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;
 - iii. the transaction constitutes a benefit provided to a related party solely as a member of a class of the beneficiaries that CHTC 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).
 - b. If the related party has a substantial financial interest, the Board or authorized committee shall, prior to entering into the transaction, consider alternative transactions to the extent available.
 - i. The transaction must be approved by majority vote of the directors present, excluding the interested party.
 - ii. The Board shall contemporaneously document in writing the basis for its approval, including its consideration of any alternative transactions.
3. CHTC shall not make a loan to any director, officer or interested person.
4. The official minutes of the Board shall reflect that the conflict of interest was disclosed, the decision on the conflict, and that the interested person(s) were not part of the resolution or vote and did not participate in or vote on either the question of conflict or the underlying Board action.

V. Violations of the Conflicts of Interest Policy

If the board has reasonable cause to believe a director, officer or interested person has failed to disclose actual or possible conflicts of interest, it shall inform the individual of the basis for such belief and provide the individual with an opportunity to explain the alleged failure to disclose.

If, after hearing the individual's response and after making further investigation as warranted by the circumstances, the board determines the individual has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and/or corrective action.

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Conflict of Interest Disclosure Statement

By signing below, I affirm that:

1. I have received and read a copy of the Conflict of Interest Disclosure 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 this 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 CHTC has a relationship;
2. any transaction in which CHTC is a participant as to which you might have a conflicting interest;
3. any financial arrangements with an interested person including but not limited to loans, investments, mortgages and/or third-party interests;
4. any arrangements or situations with staff that would prevent a director from arriving at an unbiased decision;
5. any relative employed by CHTC either full time, part time or as a contractor; and
6. any other situation which may pose a conflict of interest.

Name: _____

Position: _____

Signature: _____

Date: _____