

**LORAIN DEVELOPMENT  
CORPORATION CONFLICT OF  
INTEREST POLICY**

## **Conflict-of-Interest Policy/Duality-of-Interest Policy**

### **Article I: Purpose**

Lorain Development Corporation ("LDC") strives to maintain the highest ethical standards in all policies, procedures, and programs and to avoid any conflicts of interest.

### **Articles II: Definitions**

1. Interested Person

Any trustee, officer, member of the board, or employee who has a direct or indirect financial interest (as defined in Section 2) or duality of interest (as defined in Section 3), is an interested person.

2. Financial Interest

If a member of the board hereof has a financial interest conflicting with the interest of LDC in any manner (such as whether to enter into a contract with such individual or with an organization with which such an individual is associated), then the individual must bring the conflict to the attention of the other members and refrain from deliberating or voting in any decision with respect to the matter. 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 LDC has a transaction or arrangement, or
- b. A compensation arrangement with LDC or with any entity or individual with which LDC has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the foundation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

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 board or committee decides that a conflict of interest exists.

3. Duality of Interest

A duality of interest exists when a trustee, officer, committee member, or employee of LDC is affiliated with an organization requesting a financial incentive from the City requiring LDC's recommendation. Such affiliation exists if the person is a director, trustee, officer, or employee of the organization, or has an unofficial role such as significant donor, volunteer, advocate, or advisor.

#### Article IV: Records of Proceedings

1. Duty to Disclose

In connection with any actual or possible conflict of interest or duality of interest, an interested person must disclose the existence of his or her financial interest or affiliation and all material facts to the board members considering the proposed transaction or arrangement. The disclosure should be made either when the interest becomes a matter of board action or as part of a periodic procedure to be established by the board.

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 or she shall leave the board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists.

3. Procedures For Addressing the Interest

- a. An interested person may take a presentation at the board or committee meeting, but after such presentation, he or she shall leave the meeting during the discussion or, and the vote on, the transaction or arrangement that results in the conflict of interest or duality of interest.
- b. The President of the board shall, if appropriate, appoint a disinterested person or committee to investigate alternative to the proposed transaction or arrangement.
- c. After exercising due diligence, the board shall determine whether LDC can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous 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 a majority vote of the disinterested trustees whether the transaction or arrangement is in LDC's best interest and for its own benefit and whether the transaction is fair and reasonable to LDC and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of Policy

- a. If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interests or duality of interest, it shall inform the member of the basis of such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest or duality of interest, it shall take appropriate disciplinary and corrective action.

#### **Article IV: Record of Proceedings**

The minutes of the board 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 or duality of interest, the nature of the financial interest, and action taken to determine whether a conflict of interest or duality of interest was present, and the board's decision as to whether a conflict of interest or duality of interest is fact existed.
2. The names of the 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 therewith.

#### **Article V: Compensation Committee**

A voting member of the board whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the board for services is precluded from voting on matters pertaining to that member's compensation.

#### **Article VI: Annual Statements**

Each trustee, officer, member of the board, and employee shall sign a statement initially or at any time the board modifies this policy that affirms that 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 LDC is a charitable organization and that in order to maintain its federal tax exemption, it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.