

# CONFLICT OF INTEREST POLICY

## MERLIN MEDIATION, COUNSELING & CONSULT, INC.

This conflict of interest policy is designed to protect the interests of Merlin Mediation, Counseling & Consult, Inc. (“Merlin MCC”), when it contemplates entering into a transaction or arrangement that might benefit the private interests of officers, directors, or key employees of Merlin MCC, or their families or related business entities. The policy is designed to foster public confidence in the integrity of Merlin MCC and to safeguard its tax-exempt status. The policy is intended to supplement, but not replace, applicable state and federal laws governing conflicts of interest.

### ARTICLE I. DEFINITIONS.

1. **“Conflict of Interest.”** A conflict of interest is present when, in the judgment of the board of directors, an interested person’s stake in the transaction is such that it reduces the likelihood, or appears to reduce the likelihood, that the interested person’s influence can be exercised impartially in the best interests of Merlin MCC. For example, conflicts of interest may arise in the relations of directors, officers, or employees in management positions with any of the following third parties:
  - a. Persons and firms supplying goods and services to Merlin MCC.
  - b. Persons and firms from whom Merlin MCC leases property and equipment.
  - c. Persons and firms with whom Merlin MCC is dealing or planning to deal with regarding the gift, purchase or sale of real estate, securities, or other property.
  - d. Competing or affinity organizations.
  - e. Donors and other supporters of Merlin MCC.
  - f. Agencies, organizations, and associations which affect the operations of Merlin MCC.
  - g. Family members, friends, and other employees.
2. **“Interested Party.”** Any director, officer, or employee in a management position, or any person with the responsibilities of any of these positions.
3. **“Interest.”** Any commitment, investment, relationship, obligation, or involvement, financial or otherwise, direct or indirect, that may influence or appear to influence a person’s judgment. For example, such an interest might arise through:

- a. Owning stock or holding debt or other proprietary interests in any third party dealing with Merlin MCC.
  - b. Holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) with any third party dealing with Merlin MCC.
  - c. Receiving remuneration for services with respect to individual transactions involving Merlin MCC.
  - d. Using Merlin MCC's time, personnel, equipment, supplies, or good will for other than Merlin MCC-approved activities, programs, and purposes.
  - e. Receiving personal gifts or loans from third parties dealing or competing with Merlin MCC. Receipt of any gift is disapproved except gifts of a value less than \$50, which could not be refused without discourtesy. No personal gift of money should ever be accepted.
4. **“Transaction.”** Any transaction, agreement, or arrangement between an interested party and Merlin MCC, or between Merlin MCC and any third party where an interested party has an interest in the transaction or any party to it.

## **ARTICLE II. PROCEDURES.**

1. **Duty to Disclose.** All interested parties must disclose all material facts regarding their interest in any transaction to the board of directors upon learning of the proposed transaction.
2. **Determining Whether a Conflict of Interest Exists.** The board of directors must determine if a conflict of interest exists. The interested party involved with the transaction must not be present during the board's discussion or determination of whether a conflict of interest exists, except as provided in Section II(3)(A) below.
3. **Procedures for Addressing Conflicts of Interest.** The board must follow the procedures set forth below in order to determine what measures are needed to protect Merlin MCC's interests in light of the nature of the conflict, to decide whether to enter the transaction and, if so, to ensure that the terms of the transaction are appropriate and fair to Merlin MCC.
  - A. The board may ask questions of, and receive presentations from the interested party, but must deliberate and vote on the transaction in his or her absence. The board must ensure that all material facts regarding the

transaction and any conflicts of interest have been disclosed, and must compile appropriate data, such as comparability studies, to determine the fair market value for the transaction.

- B.** After exercising due diligence, the board must determine whether Merlin MCC can obtain with reasonable efforts a more advantageous transaction or arrangement that would eliminate any conflicts of interest. If a more advantageous transaction is not reasonably possible, the board must determine whether the transaction is in Merlin MCC's best interests, and whether it is fair and reasonable to Merlin MCC.
- C.** The majority of directors who are not interested parties may then decide to enter into the transaction, in conformity with the determination in Section II(3)(B).
- D.** The minutes of any meeting of the board during which this policy is implicated must contain the name of each interested party who disclosed or was otherwise determined to have an interest in the transaction; the nature of the interest, and whether it was determined to constitute a conflict of interest; any alternative transactions considered, and any comparability data or other information obtained and relied upon by the board, and how such information was obtained; the members of the board who were present during the deliberations, and the extent to which any interested parties were excluded from those deliberations; the result of the vote, including the directors who voted; and, the terms of any transaction that was approved.
- E.** If the board has reasonable cause to believe that an interested party has failed to disclose actual or possible conflicts of interest, including those arising from any transaction with a related interested person, it must inform the interested party of the basis for this belief, and must afford the interest party an opportunity to explain the alleged failure to disclose. If, after hearing the interested party's explanation, and after conducting any further investigation warranted by the circumstances, the board determines that the interested party has failed to disclose an actual or possible conflict of interest, the board will take appropriate disciplinary and corrective action.

### **ARTICLE III. ANNUAL DISCLOSURE**

By January 31 of each year, every director, officer, and employee in a management position, and any person with the responsibilities of any of those positions, must sign and complete the attached conflict of interest acknowledgement and disclosure form. The acknowledgement affirms that the person has received a copy of this conflict of interest policy, has read and understood the policy, and has agreed to comply with the policy. The disclosure discloses the person's financial interests and family relationships that could give rise to conflicts of interest. The board will review each questionnaire. If at any time during the year, the information in a person's annual statement changes materially, the person must disclose those changes by revising the annual disclosure form and providing it to the board.

#### **ARTICLE IV. PERIODIC REVIEW**

To ensure Merlin MCC operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews will be conducted. Such reviews may, but need not, engage outside advisors, and will include the following subjects:

1. Whether any compensation arrangements and benefits provided are reasonable, based on competent survey information, and are the result of arm's length bargaining; and
2. Whether all transactions or arrangements conform to Merlin MCC's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further Merlin MCC's charitable purposes, do not result in private inurement or impermissible private benefit, and do not result in an excess benefit transaction.

Adopted by the board of directors this 6<sup>th</sup> day of November, 2014.