

VOTE SMART

CONFLICT OF INTEREST POLICY

Article I - Purpose

The purpose of this Conflict of Interest Policy is to protect the interests of the Center for National Independence in Politics, an Arizona nonprofit corporation, d/b/a Vote Smart (the “Organization”), when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, or key employee of the Organization, or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace, any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

As a nonprofit and charitable organization, the Organization is accountable to both government agencies and members of the public for responsible and proper use of its resources. Officers, directors, and key employees of the Organization have a duty to act in the Organization’s best interests and may not use their positions for their own financial or personal benefit. Conflicts of interest must be taken seriously, as they can damage the Organization’s reputation and expose both the Organization and affiliated individuals to legal liability if not handled appropriately.

Article II - Definitions

1. **Interested Person.** Any director, principal officer, member of a committee with powers delegated by the Organization’s board of directors (the “Board”), or key employee who has a direct or indirect financial interest, as defined below, is an interested person.

2. **Financial Interest.** 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 the Organization has a transaction or arrangement pursuant to which the Organization will make payments to, or receive payments from, the entity in exchange for goods or services;

b. A compensation arrangement with the Organization or with any entity or individual with which the Organization 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 Organization is negotiating a transaction or arrangement.

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

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

Article III - Procedures

1. **Duty to Disclose.** In connection with any actual or possible conflict of interest, an interested person must disclose, by delivering a signed statement to the Organization's audit committee, the existence of the financial interest and all material facts to the directors and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

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 or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall address whether a conflict of interest exists pursuant to Article III, Section 3.

3. **Procedures for Addressing the Conflict of Interest.**

a. An interested person may make a presentation at the Board or committee meeting, but, after the presentation, the interested person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the Board or committee shall determine whether the Organization can obtain, with reasonable efforts, a more advantageous transaction or arrangement 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 possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is (i) in the Organization's best interest, (ii) for the Organization's own benefit, and (iii) fair and reasonable to the Organization.

e. In conformity with the above determination, the Organization shall make its decision as to whether to enter into the transaction or arrangement with the interested person. If such determination is made by a committee with Board-delegated powers, it shall refer the matter to the Board for further consideration and determination pursuant to this Article III, Section 3.

4. **Violations of the Conflicts of Interest Policy.**

a. If the Board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, the Board or committee shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

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

Article IV - Records of Proceedings

1. The minutes of the Board and all committees with Board-delegated powers shall contain:

a. 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's or committee's decision as to whether a conflict of interest in fact existed; and

b. 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 with the proceedings.

Article V - Compensation

1. **Procedures for Addressing Compensation Matters.**

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

b. A voting member of the Board, or a voting member of any committee whose jurisdiction includes compensation matters, is precluded from voting on matters pertaining to the compensation of any relative of such member, any person who is in a position to direct or control such member in an employment relationship, or any person who is in a position to directly affect such member's financial interests.

c. A voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is not prohibited from providing information to any committee regarding compensation.

2. **Recording Decisions of Compensation Matters.**

a. If any action is taken to address compensation matters, the minutes of the Board and all committees with Board-delegated powers shall contain:

i. The names of the persons whose compensation was addressed, and the terms and date thereof;

ii. The compensation comparability data relied upon and how the same was obtained, and, if the determination is outside the range of such data, the basis for the determination; and

iii. The names of the persons who were present for discussions and votes relating to the action, the content of the discussion, and a record of any votes taken in connection with the proceedings.

Article VI - Annual Statements

1. Each director, principal officer, member of a committee with Board-delegated powers, and key employees shall annually sign a statement in substantially the form attached hereto, which affirms such person:

a. Has received a copy of the conflicts of interest policy;

b. Has read and understands the policy;

c. Has agreed to comply with the policy;

d. Understands the Organization is charitable, and, in order to maintain its federal tax exemption, the Organization must engage primarily in activities which accomplish one or more of its tax-exempt purposes; and

e. Has no actual or potential conflicts of interest as defined by the policy or has otherwise disclosed them as required by the policy.

All candidates for directorships must sign and deliver such statement to the Board prior to election.

Article VII – Additional Prohibited Acts

1. The Organization shall not make loans to Board members or officers.

Article VIII - Periodic Reviews

1. To ensure the Organization operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted by the Board or a committee with Board-delegated powers. The periodic reviews shall, at a minimum, include the following subjects:

a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and

b. Whether partnerships, joint ventures, and arrangements with management organizations (i) conform to the Organization's written policies, (ii) are properly recorded by the Organization, (iii) reflect reasonable investment or payments for goods and services, (iv) further charitable purposes, and (v) do not result in an inurement, an impermissible private benefit, or in an excess benefit transaction to the Organization.

Article IX - Use of Outside Experts

When conducting the periodic reviews as provided for in Article VIII, the Organization may seek the assistance of outside advisors. If the Organization hires outside advisors, such use of outside advisors shall not relieve the Board, or a committee with Board-delegated powers, of its responsibility for ensuring periodic reviews are conducted.

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