

Center for Human Rights and Constitutional Law  
256 S. Occidental Blvd.  
Los Angeles, CA 90057

Policy Concerning Conflicts of Interest and Divided Allegiance  
(April 2012)

The purpose of this Policy is to inform the Center for Human Rights and Constitutional Law Foundation (“CHRCL”) Board of Directors, officers, and staff of CHRCL’s broad definitions of conflicts of interest and divided allegiances, and to establish procedures for directors, officers, and staff to follow to declare and monitor conflicts as they arise.

The Board requires that each director, officer, and staff member be advised of this Policy, and provided a copy upon assuming their duties.

All individuals subject to this Policy are responsible for knowing and observing the Policy.

The Board of Directors of CHRCL is committed to managing conflicts of interest and divided allegiances that affect CHRCL, consistent with its members’ duty of loyalty to the organization. The Board recognizes that conflicts of interest and divided allegiances are inevitable in a nonprofit organization with involved and committed directors, officers and staff. Conflicts of interest may exist not only when a Responsible Person (as defined below) has a financial interest in a transaction (a Direct Conflict, as defined below) but also when a Family Member of a Responsible Person has a financial interest in a transaction (an Indirect Conflict), or when a Responsible Person has an interest or allegiance that is not covered by the definitions of Direct or Indirect Conflict (Other Conflict, as defined below).

In all cases, the Board of CHRCL is committed to ensuring that whenever a dual interest between a Responsible Person’s personal, business, organizational, or professional affiliations and the position and interests of CHRCL exists, disclosure of such conflict is given and the resulting decision-making is fairly and appropriately managed.

The definitions in this Policy cover more than the conflict of interest requirements of State nonprofit or federal tax laws. The Board intends this Policy to both

satisfy the Board's legal responsibility and to promote full transparency in any matters involving potential conflicts and the avoidance of decisions being influenced by a conflict of interest.

The three types of conflicts defined in this Policy are not mutually exclusive. Rather, they can be viewed as a continuum. Direct Conflicts are most susceptible to undue influence being exerted, while Indirect Conflicts or Other Conflicts may give rise to less concern regarding the potential benefit to the Responsible Person or a Family Member. This Policy, however, allows the Board to weigh the significance of any existing conflicts and allegiances as part of its decision making role so that CHRCL's best interests are served.

#### Conflict of Interest and Divided Allegiances: Definitions

**Direct Conflict:** A Direct ("Tier 1") Conflict exists whenever there is any proposed transaction or action of CHRCL in which a Responsible Person has any Material Financial Interest. These transactions are subject to the highest scrutiny. Family Members include spouses, domestic-partners-in-fact, parents, children, children's spouses or children's domestic-partners-in-fact, siblings, spouses or domestic-partners-in-fact of siblings, aunts, uncles, first cousins, step-parents and step-children of a Responsible Person. "Domestic-partner-in-fact" means those designated as the life partner of a Responsible Person, being related to that individual through long term ties of love and commitment common to those undertaken in marriages recognized by the State.

**Indirect Conflict:** A Responsible Person has an Indirect ("Tier 2") Conflict in a proposed transaction or action of CHRCL whenever:

- a) any other party to the transaction or party affected by the action is a Family Member of the Responsible Person,
- b) any other party to the transaction or party affected by the action is an entity in which the Responsible Person has a Material Financial Interest, or
- c) the Responsible Person is an officer, director, trustee, staff member or partner of any other party to the transaction or party affected by the action.

Conflicts involving more immediate Family Members will generally be subject to a higher level of scrutiny by the Board of Directors than those involving more distant Family Members, although each situation involves individual circumstances to be weighed by the Board.

A Material Financial Interest is a financial interest or expectation of any kind, which, in view of all the circumstances, is substantial enough to reasonably affect the judgment of a Responsible Person or Family Member as to the benefit of CHRCL's involvement with the affected transaction. The term "financial interest" is intended to include any and all remunerative expectations, thus a "financial interest" exists when an individual or their family member has rights (whether or not yet vested) to be paid compensation, employee or retiree benefits, dividends, or profit-sharing, or to have their expenses reimbursed or obligations or other liabilities repaid, etc.

Other Conflicts: Responsible Persons should follow the disclosure procedures of this Policy when the interests or concerns of any Responsible Person or their Family Members, or any other individual group or organization to which such person has allegiance, may reasonably be seen as competing with the interests or concerns of CHRCL ("Tier 3").

Responsible Person: is any person serving as an officer, employee or member of the Board of Directors of CHRCL.

#### Procedure When Director or Officer has Conflict

1. Each Responsible Person who is a director or officer of CHRCL has a duty to disclose to the Board (or to any committee of the Board that is considering a decision to which the conflict applies) the material facts of any proposed transaction or action of CHRCL in which such Responsible Person has any conflicts.
2. The disclosure required under #1 (above) must be made, to the extent possible, prior to any consideration of such proposed transaction or action by the Board or by any applicable committee of the Board. If a Responsible Person does not recognize the existence of a conflict prior to the Board's decision regarding the

transaction, that person has a duty to disclose the material facts of the conflict as soon as the conflict is recognized.

3. The Responsible Person having a conflict shall not participate in the deliberation or decision regarding the matter under consideration and shall retire from the room during deliberations except to the extent he or she has been invited by the Board or committee to participate, after consideration of the significance to CHRCL of the disclosed conflict. The Board or committee may also request that he or she provide CHRCL with any relevant information known to the Responsible Person regarding the matter.

4. Any proposed transaction or action in which the Board has determined the Responsible Person has a significant conflict of interest is to be approved by a majority of all the directors then-serving who would be entitled to vote and who are not interested directors at a meeting at which a quorum is present. Deliberations by the Board regarding the conflict, and action taken on the proposed transaction or action, shall be memorialized in Board minutes to be prepared no later than 60 days following the meeting at which deliberations were held. The votes of each director in support or in opposition to the transaction or action shall be noted.

5. All Responsible Persons are obligated to notify the Board if they believe an individual director or officer has failed to proffer disclosure of a conflict they believe to be at hand, and the procedure set out in this Policy shall be employed by the Board in all such instances.

#### Procedure When Staff has Conflict

1. Each Responsible Person who is a CHRCL staff member has a duty to disclose to the Executive Director of CHRCL the material facts of any proposed transaction of CHRCL in which such person has any conflict. The Executive Director as a Responsible Person has a duty to disclose to the CHRCL Board of Directors the material facts of any proposed transaction of CHRCL in which he or she has any conflict.

2. The disclosure required under #1 (above) is to be made immediately, and to the extent possible, before any consideration of such proposed transaction by

CHRCL. If a Responsible Person does not recognize the existence of a conflict prior to CHRCL decision regarding the transaction, that person has a duty to disclose the material facts of the conflict as soon as it is recognized.

3. A Responsible Person having a conflict shall not participate in the deliberation or decision by CHRCL regarding the transaction under consideration, unless invited by the Executive Director of CHRCL to do so, after consideration of the significance to CHRCL of the disclosed conflict. The Executive Director of CHRCL may also request that he or she provide CHRCL with any relevant information regarding the matter.

4. The Executive Director of CHRCL shall take such additional action as may be required to ensure that the Board of CHRCL is notified of a significant conflict of interest and that appropriate steps are employed as the transaction is brought forth for decision-making and/or implementation. The Executive Director of CHRCL shall maintain a record of the existence, procedures employed in managing it, and resolution of the conflict.

5. When there is any doubt as to whether a conflict exists or is a significant conflict of interest, the matter shall be resolved by the CHRCL Board of Directors.

#### Policy Enforcement

A Responsible Person who fails to follow the protocols established herein shall be subjected to meaningful and appropriate in light of the circumstances disciplinary action by the Executive Director or the Board of Directors.

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