



MOUNTAIN STATES LEGAL FOUNDATION

FREE COUNTRY. FREE PEOPLE.

MOUNTAIN STATES LEGAL FOUNDATION CONFLICT OF INTEREST POLICY

I. PURPOSE.

The purpose of the conflict of interest policy is to protect the interest of Mountain States Legal Foundation (“MSLF”) when it is contemplating entering into a transaction or arrangement that might benefit the financial interest of an employee, officer, director, or member of the Board of Litigation of MSLF. This policy is intended to supplement but not to replace any state and federal laws governing conflicts of interest applicable to nonprofit and charitable organizations.

II. DEFINITIONS.

A. Interested Person.

Any employee, officer, director, or member of the Board of Litigation who has a direct or indirect financial interest, as defined below, is an interested person.

B. Financial Interest.

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

1. An ownership or investment interest in any entity with which MSLF has a transaction or arrangement;
- ii. A compensation arrangement with MSLF or with any entity or individual with which MSLF has a transaction or arrangement; or
- iii. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which MSLF 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 Section III, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

III. PROCEDURES.

A. Duty to Disclose.

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

B. Determining Whether a Conflict of Interest Exists.

After disclosure of the financial interest and all material facts, the interested person shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

C. Procedures for Addressing the Conflict of Interest.

- i. An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest;
- ii. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement;
- iii. After exercising due diligence, the governing board or committee shall determine whether MSLF may 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; and
- iv. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in MSLF's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, the governing board or committee shall make its decision as to whether MSLF should enter into the transaction or arrangement.

D. Violations of the Conflict of Interest Policy.

If the governing board or committee has reasonable cause to believe an interested person has failed to disclose an actual or possible conflict of interest, it shall inform the interested person of the basis for such belief and afford the interested person an opportunity to explain the alleged failure to disclose.

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

IV. RECORDS OF PROCEEDINGS.

The minutes of the governing board and all committees with board delegated powers shall contain:

- i. 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 governing board's or committee's decision as to whether a conflict of interest in fact existed; and
- ii. 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.

V. COMPENSATION.

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

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

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from MSLF, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

VI. STATEMENTS.

Each employee and Officer, annually, and each member of the Board of Directors and each member of the Board of Litigation initially, or upon joining if a new member, shall sign a statement that affirms such person:

- i. Has received a copy of MSLF's Conflict of Interest Policy;
- ii. Has read and understands the Policy;
- iii. Has agreed to comply with the Policy; and
- iv. Understands that MSLF is a charitable organization and that in order to maintain its federal tax exemption MSLF must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

VII. PERIODIC REVIEWS.

To ensure that MSLF operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be scheduled, conducted and reviewed by the governing board. The periodic reviews shall, at a minimum, include the following subjects:

- i. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and/or
- ii. Whether all partnerships, joint ventures, and arrangements with other persons and/or organizations conform to MSLF's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes, and do not impermissibly benefit the financial interest of an officer, director, or member of the Board of Litigation of MSLF.

VIII. USE OF OUTSIDE EXPERTS

When conducting the periodic reviews as provided for in Section VII, MSLF may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the governing board of its responsibility for ensuring that periodic reviews are conducted.