

# The Gunflint Trail Historical Society Conflict of Interest Policy

## Article I Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Society) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or trustee of the Society 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.

## Article II Definitions

### 1. Interested Person

Any trustee, principal officer, or member of a committee with governing board delegated powers, 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 Society has a transaction or arrangement,
- b. A compensation arrangement with the Society or with any entity or individual with which the Society 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 Society 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, Section 2, 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.

## Article III Procedures

### 1. 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 trustees and members of committees with governing 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, he/she 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.

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

- a. 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.
- b. 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.
- c. After exercising due diligence, the governing board or committee shall determine whether the Society 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 governing board or committee shall determine by a majority vote of the disinterested trustees whether the transaction or arrangement is in the Society's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

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

- a. If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it 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 governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV  
Records of Proceedings

The minutes of the governing 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 governing board's or committee's decision as to whether a conflict of interest in fact existed.
- 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

- a. A voting member of the governing board who receives compensation, directly or indirectly, from the Society for services is precluded from voting on matters pertaining to that member's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Society for services is precluded from voting on matters pertaining to that member's compensation.
- c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI  
Annual Statements

Each trustee, principal officer and member of a committee with governing board delegated powers shall annually sign a statement 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, and
- d. Understands the Society is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII  
Periodic Reviews

To ensure the Society 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 conducted. 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.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Society's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII  
Use of Outside Experts

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

Board of Trustees Meeting  
Oct 24, 2005

Present: Betty Hemstad, Fred Smith, Tom Schank, Marti Marchino, Lee Zopff, Barb Tuttle, Kathy Lande, Ron Hemstad.

Meeting called to order by Betty H. at 1:00 PM at the Gunflint Conference Center.

First item of business was to set the meeting schedule for the upcoming year as necessary according to the by-laws. No meetings will be held in November or December. January and February will be when the USFS is deciding Chik-Wauk's fate so the first practical meeting opportunity would be March. Betty H. suggested we stick to the last Monday of the month at 1:30 and presented the dates for 2006. It was moved by Fred S. and 2<sup>nd</sup> by Marti M. to accept the meeting schedule. All ayes.

Second Item of business was presented by Ron H. The IRS requires the GTHS to have a conflict of interest policy. He presented a version that he drew up from suggested material and after a brief discussion put forth a resolution that the Board adopt this conflict of interest policy. It was moved by Kathy L. and 2<sup>nd</sup> by Tom S. to accept the resolution as stated. All ayes.

Third item of business was presented by Betty H. She has 3 copies of what pages will appear in the final business plan and each section was briefly discussed with the most time spent on the Proposal for Partnering which we had talked about at the last meeting but changes were made. The notable changes in the first part deal with the USFS responsibilities and include the provision of an outdoor toilet, which they would have to do if they are to use the property at all. Given this is an item they budgeted at \$10,000. it was felt they should handle it. The added section at the end of the Proposal deals with additional areas for discussion. These might be considered "negotiation items" when we get down to a final agreement. There is also a section added at the end of the Plan that will have letters of support from various organizations.

Lee Zopff asked for clarification on whether to pursue a mass mailing to solicit members and it was decided since several homeowners groups had already gotten the message out this year and also, since there are not printed materials available yet from the marketing committee, that this could wait till next spring.

Meeting adjourned at 1:30.

10-24-05

The Gunflint Trail Historical Society

Resolution for Adoption by the  
Board of Trustees

RESOLVED, That the document submitted to this meeting entitled, "The Gunflint Trail Historical Society Conflict of Interest Policy" is here by adopted.

10-24-05

CERTIFICATION

The undersigned, Kathleen Lande, hereby certifies:

1. That she is the Secretary of The Gunflint Trail Historical Society (the Society);
2. That the Board of Trustees of the Society on October 24, 2005 adopted the following resolution:  
RESOLVED, That the document submitted to this meeting, entitled "The Gunflint Trail Historical Society Conflict of Interest Policy" is hereby adopted.  
and
3. That the document attached hereto is a true and correct copy of the document referred to in said resolution.

October \_\_, 2005

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Kathleen Lande