



## **CONFLICT OF INTEREST POLICY**

### **ARTICLE I -- PURPOSE**

*Section 1. The purpose of this conflict of interest policy (the "Policy") is to protect the interests of Les Dames d'Escoffier International, Inc. (the "Corporation") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Director, Officer, or Key Person of the Corporation or one of their relatives. The Corporation will not enter into any such transaction or arrangement unless it is determined by the Board of Directors of the Corporation in the manner described below to be fair, reasonable and in the best interests of the Corporation at the time of such determination.*

*Section 2. This Policy is intended to supplement, but not replace, any applicable state or federal law governing conflicts of interest applicable to not-for-profit and charitable organizations. This Policy is designed to comply with Federal excess benefit transaction provisions under 26 U.S.C. §4958 et seq. and New York State Not for Profit Corporation Law §§ 715 and 715-a.*

*Section 3. Definitions of "Key Person," "Related Party," and other capitalized terms used in this Policy can be found in Article VII below.*

### **ARTICLE II**

#### **RELATED PARTY TRANSACTIONS AND DUTY TO DISCLOSE**

*Section 1. Under this Policy, if the Corporation contemplates entering into a Related Party Transaction, the Board of Directors must determine if the transaction is fair, reasonable, and in the best interests of the Corporation. A Related Party Transaction is not necessarily a prohibited transaction.*

*Section 2. If at any time during his or her term of service, a matter for decision or approval comes before the Board of Directors in which a Related Party has a Financial Interest, that Financial Interest must be promptly disclosed in writing to the President and the Executive Director, together with all material facts. The Board of Directors will then follow the procedures set forth in this Policy. Failure to disclose a known Financial Interest or a known potential Related Party Transaction may be grounds for removal from the Board or termination of a contractual engagement by the Corporation.*

### **ARTICLE III**

#### **DISCLOSURE AND VOTING**

*Section 1. Disclosure. Any Related Party shall disclose in good faith all material facts of his or her Financial Interest to the Board of Directors.*

*Section 2. Non-Participation and Review. All transactions, agreements or any other arrangements between the Corporation and a Related Party, and any other transactions that may involve a potential conflict of interest, shall be reviewed by the Board of Directors. No Related Party shall vote, act, or attempt to influence improperly the deliberations or voting on any matter in which he or she has been determined by the Board to have a Financial Interest. Any attempt by a Related Party to vote, act, or improperly influence deliberations or voting on any matter with which such person has a Financial Interest may be grounds for removal from the Board or termination of a contractual engagement with the Corporation. All Related Parties with a Financial Interest shall leave the room while such deliberations and voting are conducted, although at the request of the Board, they may provide information regarding the transaction prior to the deliberations.*

*Section 3. Consideration of Alternate Transactions and Comparability Data. If the contemplated Related Party Transaction pertains to compensation for services or the transfer of property or other economic benefit to a Related Party, prior to entering into the transaction, the Board of Directors must determine that the value of the economic benefit provided by the Corporation to the Related Party does not exceed the value of the consideration received in exchange by obtaining and reviewing appropriate comparable data, including by considering alternative transactions to the extent possible.*

*Section 4. Voting. The Corporation will not enter into any Related Party Transaction unless it is determined to be fair, reasonable and in the best interest of the Corporation and is approved by not less than a majority vote of the Directors present at the meeting. The Board shall document the meeting contemporaneously as described in this Policy, including its consideration of any alternative transactions. Only Independent Directors shall vote on Related Party Transactions.*

*Section 5. Compensation for Services. A voting member of the Board of Directors or an Officer who receives compensation directly or indirectly from the Corporation for services or a Director serving as a voting member of any Committee whose jurisdiction includes compensation matters is precluded from voting or acting on matters pertaining to that Director's or Officer's compensation. However, a voting member of the Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, may upon request of the Board or Committee provide information regarding compensation.*

*Section 6. No Loans. No loans shall be made by the Corporation to its Directors or Officers, or to any other entity in which any of the Corporation's Directors or Officers holds a Financial Interest, except to another charitable organization.*

**ARTICLE IV  
RECORDS OF PROCEEDINGS**

*The minutes of all meetings of the Board at which a Related Party Transaction is considered shall contain:*

- (a) The names of the persons who disclosed or otherwise were determined to have a potential or actual Financial Interest and/or conflict of interest,*
- (b) the nature of the potential or actual Financial Interest and/or conflict of interest,*
- (c) any action taken to determine whether a Financial Interest or conflict of interest exists, and the Board's determination as to whether a Financial Interest and/or conflict of interest exists; and*
- (d) The names of the persons who were present for deliberations and votes relating to any determinations under this Article, including whether the Related Party and any Directors who are not Independent Directors left the meeting during any such deliberations, the content of such deliberations, including consideration of alternative transactions, and whether or not the transaction with the Related Party was approved by the Board.*

*The minutes shall document contemporaneously the deliberations and determination regarding the Financial Interest or conflict of interest.*

**ARTICLE V  
INITIAL AND ANNUAL WRITTEN DISCLOSURES**

*Section 1. Prior to a Director's initial election to the Board, or an Officer or Key Person's engagement by the Corporation, and thereafter on an annual basis, all Directors, Officers, and Key Persons shall disclose in writing, on a Disclosure Statement, to the President and Executive Director:*

- (a) Any entity of which the Director, Officer or Key Person is an officer, director, trustee, voting member, owner (in whole or in part) or employee and with which the Corporation has a financial relationship; and*
- (b) Any transaction in which the Corporation is a participant and in which the Director, Officer or Key Person, or one of his or her relatives might have a conflicting interest.*

*Section 2. A copy of each Disclosure Statement shall be kept in the Corporation's files and made available to any Director, Officer, or Key Person upon request.*

*Section 3. The Disclosure Statement shall affirm that such person: (a) has received a copy of this Policy, (b) has read and understands the Policy, and (c) has agreed to comply with the Policy.*

**ARTICLE VI  
DEFINITIONS**

*Affiliate. An affiliate of the Corporation is a person or entity that is directly or indirectly through one or more intermediaries, controlled by, in control of, or under common control with the Corporation.*

*Board of Directors or Board.* The body responsible for the management of the Corporation.

*Director.* Any voting member of the Board of Directors.

*Financial Interest.* A person has a Financial Interest if such person would receive an economic benefit, directly or indirectly, from any transaction, agreement, compensation agreement (including direct or indirect remuneration as well as gifts or favors that are not insubstantial), or other arrangement involving the Corporation.

*Independent Director.* A member of the Board of Directors who: (a) is not and has not been an employee or a Key Person of the Corporation or an Affiliate of the Corporation within the last three years; (b) does not have a Relative who is or has been a Key Person of the Corporation or an Affiliate of the Corporation within the last three years; (c) has not received and does not have a Relative who has received more than \$10,000 in compensation directly from the Corporation or an Affiliate of the Corporation in any of the last three years (not including reasonable compensation for services or reimbursement for expenses reasonably incurred as a Director of the Corporation, as set by the Corporation); (d) does not have a substantial Financial Interest in and is not an employee of, and does not have a Relative who has a substantial Financial Interest in or is an Officer (as defined below) of, any entity that has provided payments, property or services to, or received payments, property or services from, the Corporation or an Affiliate of the Corporation in excess of the following, as applicable: (i) the lesser of \$10,000 or 2% of the entity's consolidated gross revenue in any of the last three fiscal years if such consolidated gross revenue was less than \$500,000; (ii) \$25,000 if the entity's consolidated gross revenue in any of the last three fiscal years was \$500,000 or more but less than \$10,000,000; or (iii) \$100,000 if the entity's consolidated gross revenue in any of the last three fiscal years was \$10,000,000 or more; (e) is not and does not have a relative who is a current owner, whether wholly or partially, director, officer or employee of the Corporation's outside auditor or who has worked on the Corporation's audit at any time during the past three years; (f) is not in an employment relationship under control or direction of any Related Party (as defined below) and does not receive payments subject to approval of a Related Party; or does not approve a transaction providing economic benefits to any Related Party who in turn has approved or will approve a transaction providing economic benefits to the Director.

*Key Person.* A Key Person is a person who: (i) has responsibilities, or exercises powers or influence over the Corporation as a whole similar to the responsibilities, powers, or influence of directors and officers; (ii) manages the Corporation, or a segment of the Corporation that represents a substantial portion of the activities, assets, income or expenses of the Corporation; or (iii) alone or with others controls or determines a substantial portion of the Corporation's capital expenditures or operating budget.  
*Officer.* The President, a Vice President, Secretary, Treasurer or Immediate Past President of the Corporation.

*Related Party.* Persons who may be considered a Related Party of the Corporation or an Affiliate of the Corporation under this Policy include: (a) Directors, Officers, or Key

*Persons of the Corporation or an Affiliate of the Corporation; (b) Relatives of Directors, Officers, or Key Persons; (c) any entity in which a person in (a) or (b) has a 35% or greater ownership or beneficial interest or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of 5%; (c) founders of the Corporation; (d) substantial contributors to the Corporation (within the current fiscal year or the past five fiscal years); (e) employees of AEC Management Resources; (f) any non-stock entity controlled by one or more Key Persons; or (g) any other person who is, or has within the last five years, been in a position to exercise substantial influence over the affairs of the Corporation.*

*Related Party Transaction. Any transaction, agreement or any other arrangement with the Corporation or an Affiliate of the Corporation in which a Related Party has a Financial Interest. Any Related Party Transaction will be considered a conflict of interest for purposes of this Policy.*

*Relative. A Relative is a spouse or domestic partner as defined in section 2994-A of the New York Public Health Law, ancestor, child (whether natural or adopted), grandchild, greatgrandchild, sibling (whether whole or half-blood), or spouse or domestic partner of a child (whether natural or adopted), grandchild, great grandchild or sibling (whether whole or half-blood).*