

**CONFLICTS OF INTEREST POLICY
OF
NEW HANOVER COMMUNITY ENDOWMENT, INC.**

Amended and restated effective as of May 18, 2023

ARTICLE I

Purpose

The purpose of the Conflicts of Interest Policy (this “Policy”) is to protect the interests of New Hanover Community Endowment, Inc. (the “Endowment”) when the Endowment is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director or key employee of the Endowment. This Policy, adopted by the Board of Directors of the Endowment (the “Board”), is intended to supplement but not replace any applicable laws or regulations of the State of North Carolina governing conflicts of interest applicable to nonprofit and charitable corporations.

ARTICLE II

Definitions and Rules of Construction

For purposes of this Policy, the following definitions and rules of construction shall apply:

1. “Interested Person” shall mean a Director, Officer, or Key Employee, who has an Individual Interest in a Proposed Transaction.
2. “Director” shall mean a director of the Endowment.
3. “Officer” shall mean an officer of the Endowment whose office is described in the Bylaws of the Endowment. An officer’s specific title need not be described in the Bylaws in order for the officer to come within the ambit of this definition. The presence of the word “officer” in an employee’s title is not determinative of the employee’s status as an “Officer.”
4. “Key Employee” shall mean an employee of the Endowment who meets both of the following tests (a and b):
 - a. receives reportable Compensation from the Endowment in excess of \$150,000 and is one of the 20 employees with the highest reportable Compensation from the Endowment for the calendar year ending with or within the Endowment’s tax year; and
 - b. i. has responsibilities, powers or influence over the Endowment as a whole that is similar to those of officers, directors, or trustees; or

- ii. manages a discrete segment or activity of the Endowment that represents 10% or more of the activities, assets, income, or expenses of the Endowment, as compared to the Endowment as a whole; or
 - iii. has or shares authority to control or determine 10% or more of the Endowment’s capital expenditures, operating budget, or Compensation for employees;
- 5. “Individual Interest” shall mean a Financial Interest or a Duality of Interest.
- 6. An Interested Person has a “Duality of Interest” with respect to a Proposed Transaction if such Interested Person (or a Family Member of such Interested Person) is an officer, director, trustee, employee, or independent contractor of a Party to a Proposed Transaction, even if the Interested Person (or Family Member) is uncompensated and otherwise has no financial interest that would be affected by the Proposed Transaction.¹ An Interested Person also has a “Duality of Interest” if circumstances relating to such Interested Person could reasonably be perceived by others as likely to influence the Interested Person’s independent judgment with respect to a Proposed Transaction, even though the Interested Person does not have a Financial Interest with respect to the Proposed Transaction.
- 7. An Interested Person has a “Financial Interest” with respect to a Proposed Transaction if such Interested Person (or a Family Member of such Interested Person):
 - a. is a Party to the Proposed Transaction; or
 - b. has, directly or indirectly, through business, investment or a Family Member:
 - i. a greater than 1% ownership or investment interest in any Party to the Proposed Transaction; or
 - ii. a Compensation arrangement with any Party to the Proposed Transaction; or
- 8. “Party to a Proposed Transaction” shall mean an individual or a legal entity (other than the Endowment) that is a party to, or will or may derive a Material Benefit from, a Proposed Transaction.

¹ For example, if the Endowment is considering a proposed grant to a charitable nonprofit corporation, and a Director serves without Compensation on the board of directors of that charitable nonprofit corporation, that Director has a Duality of Interest with respect to that proposed grant for purposes of this Policy. As another example, if a Director is a lawyer and a Party to a Proposed Transaction is the Director’s *pro bono* client, that Director has a Duality of Interest with respect to that Proposed Transaction for purposes of this Policy.

9. “Proposed Transaction” shall mean a transaction, arrangement, contract, or agreement, that has been proposed to the Endowment or that the Endowment has proposed or is considering.²
10. “Compensation” shall mean: (a) direct and indirect remuneration for services rendered; and (b) gifts or favors with a value, individually or in the aggregate, in excess of \$200. “Compensation” shall not include reimbursement for reasonable expenses incurred in the performance of an individual’s official duties, and shall not include reimbursement of expenses incurred on behalf of the Endowment.
11. “Material Benefit” shall mean a financial or economic benefit that is both (a) more than *de minimis* in value (for purposes of this Policy, any value that is Two Hundred Dollars (\$200.00) or less is considered *de minimis*) and (b) more than remotely likely to occur. A “Material Benefit” does not include a benefit that is incidental or tenuous.³
12. “Family Member” of an individual shall mean: (1) spouse, (2) domestic partner, (3) child, (4) parent, or (5) sibling.
13. “Business Entities” shall be deemed to include, but shall not be limited to, nonprofit corporations and unincorporated nonprofit associations, but shall not be deemed to include governmental units or any subdivision or agency of government.
14. An Interested Person who has an Individual Interest with respect to one or more parent, sister, or subsidiary Business Entities of a Party to a Proposed Transaction shall be deemed to have an Individual Interest in a Proposed Transaction involving such Party to a Proposed Transaction.
15. An Interested Person who has an Individual Interest in a subdivision or agency of government shall not be deemed solely by virtue of such Individual Interest to have an Individual Interest in other subdivisions or agencies of such government that are not subject to the control of the subdivision or agency of government with respect to which the Interested Person has an Individual Interest.⁴

² Examples include: a grant with respect to which an application has been submitted to the Endowment, a contract with a vendor, or the employment of an individual as an at-will employee without a contract.

³ For example, an Interested Person who is an executive officer of a bank will not derive a Material Benefit from a Proposed Transaction solely because a large number of individual members of the public will be eligible for a program funded as a result of the Proposed Transaction and some of those individual members of the public maintain accounts with the bank, because the benefit is incidental or tenuous.

⁴ For example, a Director who is a member of the Board of Trustees of North Carolina State University shall not be deemed solely by virtue of such office to have an Individual Interest with respect to a Proposed Transaction with UNC Wilmington. Similarly, a Director who is employed by the City of Wilmington shall not be deemed solely by virtue of such office to have an Individual Interest with respect to a Proposed Transaction with New Hanover County.

ARTICLE III

Procedures Where Individual Interest Exists

1. No Interested Person who has an Individual Interest with regard to a Proposed Transaction shall participate in voting upon, discussing, or taking any other action with respect to such Proposed Transaction (except as expressly permitted herein).
2. No Interested Person who has an Individual Interest with regard to a Proposed Transaction shall take part in the Endowment's evaluation or implementation of such Proposed Transaction (except as expressly permitted herein). The prohibition imposed by this section shall be deemed to include but not be limited to signing an agreement on behalf of the Endowment with respect to such Proposed Transaction.
3. An Interested Person shall disclose the existence and nature of his or her Individual Interest, and shall disclose all material facts relating to such Individual Interest, to those individuals who are considering or implementing the Proposed Transaction. An Interested Person shall not be required to disclose the material facts relating to his or her Individual Interest where such disclosure would violate obligations of privilege imposed under applicable rules of professional responsibility or otherwise (e.g., attorney/client privilege) or a contractual obligation of confidentiality; provided, that in such cases the Interested Person must nevertheless comply with Section 1 and Section 2 of this Article III.
4. Except as provided in Section 5 of this Article III, if an Interested Person having a Financial Interest in a Proposed Transaction is present at a meeting at which the Proposed Transaction is being considered, discussed, or voted upon, after disclosure of the Individual Interest and (unless privileged or confidential) all material facts relating to the Individual Interest, and after providing information as contemplated in Section 6 of this Article III, the Interested Person shall leave the meeting room while the remaining persons participating in the meeting consider, discuss and/or vote upon the Proposed Transaction.
5. An Interested Person having a Financial Interest in a Proposed Transaction as a result of which neither the Interested Person nor the Interested Person's business nor the Interested Person's Family Member will receive a Material Benefit, and an Interested Person having a Duality of Interest in a Proposed Transaction, after providing information as contemplated in Section 6 of this Article III, may choose to leave the meeting room while the remaining persons participating in the meeting consider, discuss and/or vote upon the Proposed Transaction, but shall not be required to leave the meeting room unless so required by: (1) an affirmative vote of the group that is meeting (in which vote the Interested Person shall not participate), upon motion and second, or (2) the direction of the chair of the meeting. An Interested Person having a Financial Interest in a Proposed Transaction as a result of which neither the Interested Person nor the Interested Person's business nor the Interested Person's Family Member will receive a

Material Benefit, and an Interested Person having a Duality of Interest in a Proposed Transaction, after disclosing the Individual Interest to the President (or, if the Interested Person is the President, after disclosing the Individual Interest to the Chair of the Board; provided, that at such times as the offices of President and Chair of the Board are held by the same individual, the President/Chair of the Board shall disclose the Individual Interest to the Vice Chair): (1) may, if the Interested Person is an employee of the Endowment, participate in the gathering of information relating to the Proposed Transaction, participate in the formulating of a recommendation with respect to the Proposed Transaction, and participate in the presentation of the Proposed Transaction to the Endowment's Board of Directors, and (2) may take part in the implementation of a Proposed Transaction that has been approved and authorized by the Endowment's Board of Directors; provided, however, that in the event that the President (or the Chair of the Board, as the case may be), determines in his or her sole discretion that the Interested Person should not participate in the Endowment's evaluation or implementation of the Proposed Transaction, the Interested Person shall not participate in the Endowment's evaluation or implementation of the Proposed Transaction.

6. In many cases, an Interested Person will possess information concerning a Proposed Transaction or a Party to a Proposed Transaction that would be helpful to those disinterested individuals who are considering the Proposed Transaction. To deprive the Endowment of access to such information would not serve the best interests of the Endowment. Accordingly, other Directors, Officers, employees or other representatives of the Endowment may seek to elicit such information by asking the Interested Person questions of fact, and the Interested Person shall respond to such questions to the extent that such response does not require the Interested Person to violate a legal privilege or an obligation of confidentiality. Moreover, in the event that the Interested Person is aware of facts that the Interested Person in good faith considers material to the Endowment's action with respect to a Proposed Transaction, the Interested Person shall proffer such facts unless to do so would require the Interested Person to violate a legal privilege or an obligation of confidentiality. Both during the meeting and at all other times, the Interested Person shall not advocate for or against the Proposed Transaction, and shall not seek to exert influence on any Director, Officer, or Key Employee with regard to the Proposed Transaction.
7. The provisions of this Section 7 shall not apply to Proposed Transactions in the form of charitable grants, charitable programs, or other charitable financial assistance considered or provided by the Endowment. In other cases involving Proposed Transactions in which a Director, Officer or Key Employee has an Individual Interest, the Chair of the Board (or the chair of the committee or other group that has convened, as the case may be) shall appoint a disinterested person or committee to investigate alternatives to the Proposed Transaction.⁵ In such a case, after exercising due diligence, the Board or committee shall determine

⁵ For example, the requirement to investigate alternatives shall apply in the case of the Endowment's purchase of goods or services from a vendor or contractor.

whether the Endowment can, with reasonable efforts, obtain a more advantageous transaction or arrangement with a person or entity that would not give rise to a conflict of interest. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board or committee shall determine, by a majority vote of the disinterested directors or committee members present at a meeting, whether the transaction or arrangement is in the Endowment's best interest and whether the transaction or arrangement is fair and reasonable to the Endowment.

ARTICLE IV

Records of Proceedings

The minutes of meetings of the Board of Directors, all standing committees, and all special committees shall include:

1. The names of all persons who have disclosed or otherwise were found to have an Individual Interest, and (unless privileged or confidential) the nature of the Individual Interest; and
2. The names of the persons who were present at the meeting for discussions and votes relating to the Proposed Transaction, the content of these discussions, and a record of the vote.

Each Director may request that his or her disclosure of a specific Individual Interest be treated as a standing disclosure; in the event of such a request, the existence of the disclosure and (unless privileged or confidential) the nature of the Individual Interest and the material facts disclosed shall be recorded in the minutes of every meeting at which the Board or committee considers or takes any action that might implicate such Individual Interest.

ARTICLE V

Prohibition on Acceptance of Personal Gifts

1. No Director, Officer, or Key Employee shall solicit or accept for his or her individual benefit any Material Benefit from a Party to a Proposed Transaction or from any vendor, contractor, or other party to an existing contract or arrangement with the Endowment. For purposes of this Article, a Director, Officer, or Key Employee shall be deemed to have solicited or accepted a Material Benefit if the Material Benefit was solicited for or accepted by a Family Member.⁶
2. No Director, Officer, or Key Employee shall solicit or accept for his or her individual benefit cash or cash equivalent in any amount, even if *de minimis*, from

⁶ For example, if a contractor sends to the headquarters of the Endowment a holiday gift basket containing food items, a Director, Officer, or Key Employee may consume a portion of the food provided that the value of the portion consumed by the Director, Officer, or Key Employee does not exceed Two Hundred Dollars (\$200.00).

a Party to a Proposed Transaction or from any vendor, contractor, or other party to an existing contract or arrangement with the Endowment. For purposes of this Article, cash or cash equivalent shall be deemed to have been solicited or accepted by the Director, Officer, or Key Employee if the cash or cash equivalent was solicited for or accepted by a Family Member.

3. This Article shall be deemed not to preclude Directors, Officers, or Key Employees from: (1) accepting a Material Benefit or cash or cash equivalent to the extent that such Material Benefit or cash or cash equivalent is earned income for personal services that are provided in connection with a bona fide business, trade or profession, or (2) receiving fair market value in consideration for the sale, lease or other conveyance of goods or other property.

ARTICLE VI

Compensation Matters

A Director, Officer, or Key Employee who receives Compensation, directly or indirectly, from the Endowment for services is precluded from voting on matters pertaining to his or her Compensation. A voting member of any committee whose jurisdiction includes Compensation matters and who receives Compensation, directly or indirectly, from the Endowment for services is precluded from voting on matters pertaining to his or her Compensation. No Director or voting member of a committee whose jurisdiction includes Compensation, and who receives Compensation directly or indirectly from the Endowment, either individually or collectively, is prohibited from providing information regarding Compensation to the Board or to any committee.

ARTICLE VII

Annual Statements

Each Director, Officer, and Key Employee shall, upon commencement of his or her employment or term of office, and annually thereafter, sign a statement, in the form attached hereto as Appendix A, certifying that the person:

1. received a copy of this Policy;
2. has read and understands this Policy;
3. agrees to comply with this Policy; and
4. understands that the Endowment is a charitable organization and that in order to maintain its tax-exempt status, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Such annual statement also requires disclosure of information necessary to permit the Endowment to complete its annual information return for federal income tax purposes.

ARTICLE VIII

Periodic Reviews

The Endowment shall conduct periodic reviews of its activities to ensure that it is operating in a manner consistent with accomplishing its charitable purposes and that it is not engaging in activities that could jeopardize its status as an organization exempt from federal income tax. In conducting such reviews, the Endowment shall evaluate the following:

1. Whether the Endowment's Compensation arrangements and benefits are reasonable and the result of arm's length negotiations; and
2. Whether partnerships, joint ventures, arrangements with management organizations, and contractual arrangements with providers of goods or services conform to the Endowment's written policies, are properly recorded, reflect reasonable investment or payments for goods or services, further the charitable purposes of the Endowment, and do not result in private inurement, impermissible private benefit, or an excess benefit transaction.

In conducting its periodic reviews, the Board of Directors may in its discretion engage outside advisors, but the Board of Directors shall at all times retain responsibility for ensuring that periodic reviews are conducted.

ARTICLE IX

Due Diligence

Each Director, Officer, and Key Employee shall undertake reasonable due diligence to determine whether he or she has an Individual Interest before taking any corporate action to which this Policy applies, and shall conduct such inquiries as may be reasonably necessary under the circumstances to determine whether he or she has an Individual Interest in one or more Proposed Transactions. With regard to having an ownership or investment interest in a Business Entity that may derive a Material Benefit from a Proposed Transaction, a Director, Officer, or Key Employee may fulfill the due diligence requirement by reviewing records in his or her possession that relate to his or her direct investments in stock or other equity interests. A Director, Officer, or Key Employee is not required to obtain or to review records relating to his or her direct or indirect investments in stock or other equity interests: (a) managed by a third party; or (b) held in a mutual fund or similar investment vehicle; or (c) owned by or through a business; or (d) owned by a Family Member.

ARTICLE X

Violations of Conflicts of Interest Policy

1. The failure of a Director, Officer, or Key Employee to disclose an Individual Interest of such Director, Officer, or Key Employee that was known by or that with reasonable due diligence should have been known by such Director, Officer, or Key Employee shall constitute a violation of this Policy. The solicitation or

acceptance of an individual benefit in violation of the prohibition imposed by Article V shall also constitute a violation of this Policy.

2. If the Board has reasonable cause to believe that a Director, Officer, or Key Employee has committed a violation of this Policy, the Board shall inform such person of the basis for such belief and afford such person an opportunity to explain the alleged violation. If, after hearing the response of such person and making such further investigation as may be warranted under the circumstances, the Board determines that such person has in fact violated this Policy, the Board shall take disciplinary and corrective action deemed appropriate by the Board, including without limitation requiring restitution to the Endowment of any gains or benefits that accrued to such person as a result of such violation. In the case of an Officer or Key Employee, such disciplinary or corrective action may include, if deemed appropriate by the Board, removal of such Officer or termination of the employment of such Key Employee. In the case of a Director, the Board shall consider removal of the Director in accordance with applicable provisions of the Bylaws of the Endowment.⁷
3. A Director, Officer, or Key Employee who in good faith conducts reasonable due diligence to determine whether he or she has an Individual Interest in a Proposed Transaction and who, despite such reasonable due diligence, fails to discover an existing Individual Interest shall be deemed not to have violated this Policy even where it is later determined that he or she participated in the consideration or implementation of the Proposed Transaction with respect to which he or she had the undiscovered Individual Interest.

⁷ The Board is afforded discretion in determining the type of action that is appropriate under the circumstances, because of the wide range of behaviors that may give rise to a violation. For example, an isolated instance of an inadvertent failure to disclose an Individual Interest where the covered person's financial interest is minimal or nonexistent does not warrant the most extreme sanction. Conversely, a pattern of repeated knowing and material violations of the policy would almost certainly support removal from office or termination of employment.

ACKNOWLEDGMENT AND DISCLOSURE STATEMENT

The undersigned person, who serves New Hanover Community Endowment, Inc. (the “Endowment”) in the capacity reflected below, hereby confirms that the undersigned has read and does understand the Endowment’s Conflicts of Interest Policy and has received a copy of such Policy for present and future reference.

The undersigned agrees to take appropriate action with respect thereto, including initiative in disclosing activities, interests or relationships wherever an actual or potential conflict of interest may exist, and to otherwise comply in all respects with the Conflicts of Interest Policy.

The undersigned further acknowledges and confirms that the Endowment is a charitable organization, and that in order to maintain its tax-exempt status it must engage primarily in activities that accomplish one or more of its tax-exempt purposes, which purposes are listed in the Endowment’s Articles of Incorporation.

Consistent with the foregoing, the undersigned makes the following disclosure of any and all Individual Interests as defined in the Conflicts of Interest Policy, in accordance with applicable reporting responsibilities (if none, please write “NONE”).

Name: _____

Position: _____

Signature: _____

Date: _____