

ELMIRA LITTLE THEATRE, INC.

CONFLICT OF INTEREST POLICY

I. Purpose

All Directors, Officers, and Key Persons owe a duty of loyalty to Elmira Little Theatre, Inc. (the “Corporation”) that requires them to exercise their powers in good faith and in the best interests of the Corporation. A conflict of interest occurs whenever the interests of the Corporation conflict with a competing Financial Interest of a Director, Officer, Key Person or other Related Party. The purpose of this Conflict of Interest Policy (the “Policy”)¹ is to protect the interests of the Corporation, a tax-exempt not-for-profit corporation, when it is contemplating entering into a transaction or arrangement that might benefit a Related Party.

This policy is intended to supplement, but not replace, any applicable state or federal laws regarding conflicts of interest applicable to not-for-profit and tax-exempt organizations.

II. Distribution and Acknowledgment of Policy

Prior to his/her election to the Board of Directors of the Corporation (the “Board”) or employment at the Corporation, each Director, Officer, and Key Person shall sign and submit to the Secretary of the Corporation a Conflict of Interest Policy Certificate, substantially in the form attached hereto as Exhibit A, which affirms such person: (a) has received a copy of the Policy; (b) has read and understood the Policy; and (c) has agreed to comply with the Policy.

III. Annual Disclosure Statements

Prior to his/her election to the Board or employment at the Corporation, and for each year of service thereafter, each Director, Officer, and Key Person shall sign and submit to the Secretary of the Corporation a completed Potential Conflict of Interest Disclosure Statement, substantially in the form attached hereto as Exhibit B (each, a “Disclosure Statement”, and collectively, the “Disclosure Statements”), whereby such person discloses in writing, among other things:

- a. Any entity of which such person or a Relative of such person is an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee and with which the Corporation has a relationship;
- b. Any Financial Interest such person or a Relative of such person may have in any corporation, organization, partnership, or other entity which provides goods or services to the Corporation for a fee or other compensation; and
- c. Any position or other material relationship such person or a Relative of such person may have with any not-for-profit corporation with which the Corporation has a business relationship.

¹ Unless otherwise defined, all capitalized terms used herein shall have the meanings ascribed to them in Section VII of the Policy.

A copy of each completed Disclosure Statement shall be kept in the Corporation's files and made available to any Director, Officer, or currently employed Key Person upon request. The Secretary also shall provide a copy of all completed Disclosure Statements to the Chair of the Corporation's audit committee or, if there is no such committee, to the Chair of the Board.

If at any time during his or her term of service, a Director, Officer, or Key Person acquires any Financial Interest, or when any matter for decision or approval comes before the Board in which a Related Party has a Financial Interest, that Financial Interest or potential Related Party Transaction must be promptly disclosed in writing to each member of the Board, or an authorized committee thereof, together with all material facts. Failure to disclose to the Board, or an authorized committee thereof, a known Financial Interest, a known Related Party Transaction, or a known conflict of interest may be grounds for removal from the Board or termination from the Corporation.

IV. Review and Approval of Related Party Transactions

If the Corporation is contemplating entering into a Related Party Transaction, the Board, or an authorized committee thereof, must determine if the transaction is fair, reasonable, and in the best interests of the Corporation at the time of such determination before approving the transaction. All transactions, agreements, or any other arrangements between the Corporation and a Related Party shall be reviewed by the Board, or an authorized committee thereof, in accordance with the following.

1. Related Party's Involvement. At the Board's or an authorized Board committee's request, the Related Party to whom the potential conflict of interest relates may present background information or answer questions regarding the matter prior to the commencement of deliberations or voting on the matter. However, the Related Party must not be present for, or participate in, any deliberations or vote on the matter giving rise to the conflict, and shall not attempt to improperly influence the deliberation or voting on the matter giving rise to the conflict.

A voting member of the Board 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. No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation is prohibited from providing information to the Board or any committee regarding compensation.

2. Investigation of Alternative Transactions; Review of Comparability Data. As part of its investigation, the Board, or an authorized committee thereof, shall consider alternative transactions to the extent available. If the contemplated transaction pertains to a Director's, Officer's or Key Person's compensation for services or the transfer of

property or other economic benefit to a Related Party, the Board, or an authorized committee thereof, must determine that the value of the economic benefit provided by the Corporation does not exceed the value of the services, property, or other benefit received in exchange. As part of this determination, the Board, or an authorized committee thereof, shall obtain and review appropriate comparable data.

When considering a Director's, Officer's or Key Person's compensation for services, comparable data may include, but is not limited to:

- a. Compensation paid by similarly situated organizations;
- b. The availability of similar services within the same geographic area;
- c. Current compensation surveys compiled by independent firms; and/or
- d. Written offers from similar institutions competing for the same person's services.

When considering a transfer of property, comparable data may include, but is not limited to:

- a. Current independent appraisals of the property; and/or
- b. Offers received in a competitive bidding process.

3. Approval Requirements. The Board, or an authorized committee thereof, may not approve any Related Party Transaction unless it determines that the transaction is fair, reasonable, and in the Corporation's best interest at the time of such determination. Approval requires the majority vote of the Directors or committee members, as applicable, present at the meeting.
4. Documentation. The Board, or an authorized committee thereof, shall contemporaneously document in the minutes of their meeting:
 - a. The name(s) of the Related Party or Parties 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 actions taken to determine whether a Financial Interest and/or conflict of interest existed;
 - d. The Board's or an authorized committee's decision as to whether the Financial Interest and/or conflict of interest existed;
 - e. The names of the persons who were present for discussions and votes relating to any potential or actual conflict of interest or Related Party Transaction (including whether the Related Party or Parties left the room for all such discussions and vote);
 - f. The content of such discussions, including the discussion of alternative transactions; and

- g. The decision by the Board, or an authorized committee thereof, to approve or not approve the Related Party Transaction and the basis for such decision.

V. Ratification of Improperly Approved Related Party Transactions and Mandatory Procedures to Ensure Future Compliance

1. Every calendar year, the Board, or an authorized committee thereto, shall review all Related Party Transactions approved and entered into during the previous calendar year and determine whether any such Related Party Transactions were improperly approved and in violation of the evaluation procedures and approval requirements set forth in sub-sections (1) - (3) of Section IV. For any Related Party Transaction, the evaluation or approval of which was in violation of any such provisions, the Board, or an authorized committee thereof, shall take the following actions within a reasonable period of time after such determination is made:
 - a. Ratify any Related Party Transaction that the Board, or an authorized committee thereof, finds, in good faith, to be fair, reasonable, and in the best interests of the Corporation at the time the Corporation approved such Related Party Transaction;
 - b. Document in writing the nature of the potential or actual Financial Interest and/or conflict of interest and the basis for the Board's or an authorized committee's ratification of such Related Party Transaction; and
 - c. Put into place, and oversee the implementation and compliance of, and compliance with, procedures to ensure that the Corporation complies with the Related Party Transaction evaluation procedures and approval requirements set forth in sub-sections (1) - (3) of Section IV in the future.

VI. Delegation to Committee

The Board may delegate to the Corporation's audit committee comprised solely of Independent Directors (if one so exists), or any other authorized committee, the oversight of, implementation of, and compliance with the Policy, including the review and approval of any Related Party Transaction; provided that if the Related Party Transaction is of a magnitude that would otherwise require full Board approval, the committee shall submit the Related Party Transaction to the Board for consideration, with the committee's recommendation as to whether or not the Related Party Transaction should be approved.

VII. Definitions

- a. Affiliate: Any entity controlled by, or in control of, the Corporation.
- b. Board of Directors: The body responsible for the management of the Corporation.
- c. Director: Any voting or non-voting member of the Board of Directors, whether designated as a director, trustee, manager, governor, or any other title.
- d. Key Person: Any person, other than a Director or Officer, whether or not an employee of the Corporation, 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.
- e. Financial Interest: A direct or indirect economic benefit from any transaction, agreement, or compensation arrangement involving the Corporation, including, but not limited to, direct or indirect remuneration, or gifts or favors that are not insubstantial.
- f. Independent Director: A Director who:
 - (i). Is not and has not been an employee or a Key Person of the Corporation or an Affiliate within the last three years, and does not have a Relative who is or has been a Key Person of the Corporation or an Affiliate within the last three years;
 - (ii). Has not received, and does not have a Relative who has received, more than \$10,000 in direct compensation from the Corporation or an Affiliate of the Corporation in any of the last three fiscal years;
 - (iii). Is not a current employee of or does not have a substantial Financial Interest in, and does not have a Relative who is a current Officer of or has a substantial Financial Interest in, any entity that has provided payments, property or services to or received payments from the Corporation or an Affiliate if the amount paid by the Corporation to the entity or received by the Corporation from the entity for such property or services, in any of the past three years, exceeded the lesser of:
 - A. \$10,000 or 2% of such entity's consolidated gross revenues if the entity's gross revenue was less than \$500,000;
 - B. \$25,000 if the entity's consolidated gross revenue was \$500,000 or more but less than \$10,000,000; and
 - C. \$100,000 if the entity's consolidated gross revenue was \$10,000,000 or more; and
 - (iv). 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 any time during the past three years.

For purposes of this subsection (f), (x) "compensation" does not include reimbursement for expenses reasonably incurred as a Director or reasonable compensation for service as a Director, and (y) "payments" do not include charitable donations, dues, or fees paid to

the Corporation for services which the Corporation performs as part of its nonprofit purposes, or payments made by the Corporation at fixed or non-negotiable rates or amounts for services received, provided that such services by and to the Corporation are available to individual members of the public on the same terms, and such services received by the Corporation are not available from another source.

- g. Officer: A person who has the authority to bind the Corporation as provided in the Bylaws of the Corporation.
- h. Related Party:
 1. Any Director, Officer, or Key Person of the Corporation of an Affiliate;
 2. Any Relative of a person described in item (1) of this subsection; or
 3. Any entity in which any individual described in items (1) and (2) of this subsection has a 35% or greater ownership or beneficial interest, or, in the case of a partnership or a professional corporation, a direct or indirect ownership interest in excess of 5%.
- i. Related Party Transaction: Any transaction, agreement, or any other arrangement in which a Related Party has a Financial Interest and in which the Corporation or any Affiliate is a participant, except that a transaction shall not be a Related Party Transaction if:
 - (i). The transaction or the Related Party's Financial Interest in the transaction is de minimis;²
 - (ii). The transaction constitutes a benefit provided to a Related Party solely as a member of a class of the beneficiaries that the Corporation intends to benefit as part of the accomplishment of its mission which benefit is available to all similarly situated members of the same class on the same terms;³ or
 - (iii). The transaction would not customarily be reviewed by the board or boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms.
- j. Relative: A person's spouse or domestic partner, his or her ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren or great-grandchildren, and the spouse or domestic partner of his or her brothers, sisters, children, grandchildren and great-grandchildren.

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² Whether a transaction is de minimus shall depend on the size of the Corporation's budget and its assets in comparison to the size of the transaction or the Related Party's Financial Interest in the transaction.

³ To qualify for the exception provided to a Related Party solely as a member of a class that the Corporation intends to benefit as part of the accomplishment of its mission, the benefits must be provided in good faith and without unjustified favoritism towards the Related Party.

Adopted by the Corporation's Board of Directors on June __, 2018

Secretary

EXHIBIT A

**Elmira Little Theatre, Inc.
Conflict of Interest Policy Certificate**

This certificate must be signed and delivered to the Secretary pursuant to the Elmira Little Theatre, Inc. Conflict of Interest Policy (the "Policy") adopted by the Board of Directors on June __, 2018, at such times as specified in the Policy.

- (a) ____ (initial) I have received a copy of the Policy;

- (b) ____ (initial) I have read and understand the Policy; and

- (c) ____ (initial) I agree to comply with the Policy;

The undersigned, by his or her signature, certifies as indicated above and acknowledges his or her understanding of the implications of the Policy.

Signature

Printed Name

Title/Position

Date

EXHIBIT B

**Elmira Little Theatre, Inc.
Potential Conflict of Interest Disclosure Statement**

This disclosure form must be signed and delivered to the Secretary pursuant to the Elmira Little Theatre, Inc. Conflict of Interest Policy (the "Policy") adopted by the Board of Directors on June __, 2018, at such times as specified in the Policy.

Name: _____

Title/Position: _____

In responding to these questions, please note that a "yes" answer does not imply that the relationship or transaction is necessarily inappropriate or prohibited.

1. Are you an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee of any entity with which the Corporation has a relationship?

Yes _____ No _____

If the answer is "yes" please list the names of such entities, your affiliation with that entity, and the approximate dollar amount of business involved with the Corporation in the past year:

2. Are any of your Relatives an officer, director, trustee, member, owner (either as a sole proprietor or a partner), or employee of any entity with which the Corporation has a relationship? ("Relatives" include: (i) your spouse or domestic partner; (ii) your ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren; or (iii) the spouse or domestic partner of your brothers, sisters, children, grandchildren and great-grandchildren).

Yes _____ No _____

If the answer is “yes” please list the names of such entities, your Relative’s affiliation with that entity, and the approximate dollar amount of business involved with the Corporation in the past year:

3. Do you have a Financial Interest in any corporation, organization, partnership, or other entity which provides goods or services to the Corporation for a fee or other compensation? (“Financial Interest” means a direct or indirect economic benefit from any transaction, agreement, or compensation arrangement involving the Corporation, including, but not limited to, direct or indirect remuneration, or gifts or favors that are not insubstantial.)

Yes _____ No _____

If the answer is “yes” please list the names of such entities, the nature of your Financial Interest, and the approximate dollar amount of business involved with the Corporation in the past year:

4. Do any of your Relatives have a Financial Interest in any corporation, organization, partnership, or other entity which provides goods or services to the Corporation for a fee or other compensation?

Yes _____ No _____

If the answer is “yes” please list the names of such entities, the nature of your Relative’s Financial Interest, and the approximate dollar amount of business involved with the Corporation in the past year:

5. Do you hold a position or have some other material relationship with any not-for-profit corporation with which the Corporation has a business relationship?

Yes _____ No _____

If the answer is “yes” please list the names of such entities, the nature of your relationship (e.g., employee, board member), and the approximate dollar amount of business involved with the Corporation in the past year:

6. Do any of your Relatives hold a position or have some other material relationship with any not-for-profit corporation with which the Corporation has a business relationship?

Yes _____ No _____

If the answer is “yes” please list the names of such entities, the nature of your Relative’s relationship (e.g., employee, board member), and the approximate dollar amount of business involved with the Corporation in the past year:

7. Are you aware of any other transaction in which the Corporation is a participant, or any other relationship not already described herein, that creates or may result in a conflict of interest (as such term is described in the Policy).

Yes _____ No _____

If the answer is "yes", please identify the transaction and describe the potential conflict:

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I affirm that the foregoing information is true and complete to the best of my knowledge and that should any of my responses to this questionnaire change at any time, I will notify the Corporation's Board of Directors.

Name: _____

Date: _____

Signature: _____