

4.0 Conflict of Interest Policy (amended Feb 2 2006, amended Nov 3 2011; amended July 18 2013)

4.1 Policy Statement: It is the policy of Skagit Land Trust to identify and resolve conflicts of interest involving the Trust and covered persons as well as situations which give the appearance of a conflict of interest.

4.2 Purpose:

- To ensure that Skagit Land Trust maintains the highest level of integrity and transparency in all areas of conduct
- To ensure that the Trust maintains public trust and confidence
- To ensure compliance with IRS and other governmental regulations and requirements including avoidance of “excess benefit” and “private inurement” for insiders.
- To ensure that the Trust maintains its fiduciary responsibility at all times.

4.3 Primary Areas of Focus:

- General Operations
- Land Transactions

4.4 Concepts & Terminology Defined:

A. Conflict of Interest: A conflict, or a perceived conflict, exists when a covered person (defined below) is in a position to act on or influence a decision by Skagit Land Trust when that person’s interests may differ from or be in conflict with the interests of the Trust, especially if the covered person has a material, financial interest in a transaction or project under consideration by the organization.

B. Inside/Proprietary Information: Any material information that is identified as confidential and proprietary, pertaining to Skagit Land Trust’s interests, activities and policies.

C. Excess Benefit/Private Inurement: Giving inappropriate benefit to private parties (insiders) without getting equivalent goods or services in return. This can include unreasonable employee compensation or the disposition of or rental of property to board members or staff at less than fair market value.

D. Covered Persons (Insiders) Any person who at any time during the five-year period ending on the date of the transaction involved was in a position to exercise substantial influence over the affairs of the organization (whether by virtue of being an organization manager or otherwise) and for a five-year period following completion of the transaction. This includes all board members and employees as well as key volunteers, close relatives, major donors, related organizations and other insiders as described below. (The IRS specifies covered persons as “disqualified persons” or DQs).

E. Key Volunteers: Any person involved with Trust operations on a volunteer basis who has access to proprietary information and/or is in a position to exert influence or act on decisions made by the Trust.

F. Close Relative: Spouse, child (natural or adopted), parent, step-parent, in-law, grandchild, grandparent, brother or sister of a covered person or any person with whom a covered person shares living quarters under circumstances that closely resemble a marital relationship or who is financially dependent on or interdependent with the covered person.

G. Major Donor: An individual, corporation or foundation that makes a gift or pledge of \$10,000 or more at any one time or \$50,000 or more over a period of five years in cash, appreciated securities, other assets or in land, easement or bargain-sale value.

H. Other Possible Insiders Depending On Circumstances: Individuals, such as:

- former board members
- former employees
- former key volunteers
- current or former Advisory Council members
- current or former Trust committee members
- independent contractors (depending on facts and circumstances). These individuals may be deemed insiders by virtue of their continued involvement with the Trust if they have access to inside information not available to the general public and/or have the ability to influence decisions of the organization

I. Related Organizations: Any organization in which a covered person directly or indirectly:

1. owns or controls 35% or more of any voting security, or
2. is a director, executive officer, executor, administrator, trustee, beneficiary, controlling partner, or otherwise serves in a fiduciary capacity or holds a substantial beneficial interest, or
3. has legal or de facto power to control the election of a majority of directors, or
4. has legal or de facto power to exercise a controlling influence over the management or policies

“Organization” includes, but is not limited to, a corporation, partnership, trust, estate, joint venture and unincorporated affiliation of any kind as well as public boards and commissions and non-profit organizations.

J. Qualified Independent Appraisal: For conservation real estate transactions, an independent appraisal prepared in compliance with the Uniform Standards of Professional Appraisal Practice by a Washington state-licensed or state-certified appraiser who has verifiable conservation easement or conservation

real estate experience. For other items, a qualified appraisal done by a qualified appraiser.

K. Independent Economic Substantiation: An independent assessment of the value of a real property or tangible property other than by a qualified independent appraisal. It may include a qualified appraisal review or a market appraisal by a qualified professional such as a real estate agent knowledgeable with conservation easements or property. It may also include evaluation by a qualified professional for value of timber, mineral, water and other rights or for tangible property such as artwork, antiques, vehicles, etc. For services, an authorized group of individuals who do not have a conflict of interest may pre-approve the service after reviewing “appropriate data” to assess comparability with fair market value and ensure compensation is justifiable. “Appropriate data” should include at least three comparables.

L. Widely Marketed: Announcing the availability of a property for sale to lists of prospective buyers, through Web pages, mailings, and listings in local newspapers, newsletters and other publications or media. “Widely marketed” does not require public listing with a real estate agent.

4.5 Identifying a Conflict

4.5.1 Conflict Identification: It is important to first identify a potential conflict of interest or appearance of conflict. This may happen in one of two ways:

- A. The insider brings the conflict to the Trust’s attention
- B. The potential conflict should be referred to the Executive Committee, acting as the Conflict of Interest Committee, which will review the facts and determine if a conflict does indeed exist and recommend a course of action to the Board of Directors. If the conflict in question involves a member of the Executive Committee, that person shall withdraw from all consideration and discussion, recuse themselves (be absent) and not participate in the final decision. Potential conflicts may be reported anonymously by mail, phone or email to the Executive Director, unless that is the person under consideration; or to any member of the Executive Committee.

4.5.2 Whistleblower Indemnification: If another individual, especially an employee, refers a potential conflict to the Trust, that person will be protected from any retaliation or punishment such as termination of employment, demotion or salary reduction or dismissal from the board.

4.5.3 Payment to Board Members for Services: Board members do not serve for personal financial interest and are not compensated except for reimbursement of expenses. In extremely limited circumstances, they may be considered for professional services that would otherwise be contracted out. Services must be offered at or below market value and any compensation must be in compliance with charitable trust laws. The board’s president and treasurer and / or firms,

companies or entities for whom they work may never be compensated for professional services either directly or indirectly.

4.6 General Operations

4.6.1 Advanced Approval: Advanced approval by the board for all actions involving conflicts is required, with the board acknowledging the conflict and determining that the transaction is fair, or providing explanations of why the conflicted action is in the best interests of the Trust.

4.6.2 Policy Guidelines: Policy guidelines applying to general operations and administration will include, but are not limited to, issues such as:

- A. hiring individuals who are close relatives of covered persons.
- B. contracting for products or services with covered persons.
- C. covered persons serving on public and/or private boards, commissions or councils transacting business with the Trust or with which Skagit Land Trust may have a potential conflict of interest.
- D. use of inside information by a covered person for his/her own benefit
- E. covered persons receiving favorable treatment by the Trust because of his/her status with the Trust.
- F. sale, purchase, lease or donation of personal tangible property to or from covered persons.

4.6.3 Identifying Conflicts of Interest: In identifying if a conflict exists in any of these or other areas, the Executive Committee will address issues such as:

- A. Have appropriate policies and procedures been followed? (open employment process, competitive bidding or alternate process of independent economic substantiation, appropriate committee review, open board discussion, etc.)
- B. Can the conflict be avoided without negative consequences to the Trust?
- C. How will it appear in the eyes of the public, Trust members, donors and easement holders?
- D. Is the person uniquely qualified for the job?
- E. Is the product or service only available through the covered person?
- F. Does an insider serve on another board of an entity being considered? Is there any potential adverse interest?
- G. Is inside information proprietary to the Trust and not known to the general public?
- H. What are the costs and benefits to the Trust?
- I. What are the alternatives, if any?
- J. Is there excess benefit or private inurement for the covered person?
- K. Will this action promote or impair the Trust's ability to pursue its mission?

4.6.4 Confirmed Conflict of Interest:

Where a conflict, or appearance of a conflict, is confirmed, the Executive Committee will recommend a course of action to the Board of Directors which may include:

- A. Not entering into the transaction.
- B. Requesting withdrawal of the proposed action in question by the insider.
- C. If the disqualified person is a board member or associated insider, directing the board member to disclose the conflict to the board, and recuse him/herself during any deliberation and voting on the transaction. The insider may be present only to answer questions.
- D. Reporting to the board by the Executive Committee that all policies and procedures have been complied with, including an appraisal or independent assessment of fair market value of property in question, and that the action is in the best interests of the Trust.
- E. Seeking professional opinion regarding the action in question.

4.6.5 Detailed Minutes of all conflict of interest discussions and subsequent approval must be taken and kept as part of the Trust's corporate records. Such minutes shall reflect that conflicted parties were not present during discussion (unless asked to provide information) and voting on an issue when he/she is conflicted.

4.7 Land Transactions

Skagit Land Trust must ensure strict due diligence when contemplating land transactions with covered persons. These transactions include purchase of land in fee, or any interest in such property; of conservation easements; sale of Trust land; property exchanges; donations; gifts of land; leases of land. All such land transactions will be subject to a review and approval process comparable to those outlined in sections 14.6.3 and 14.6.4 under general operations.

4.7.1 Purchase of Land/Easement: Skagit Land Trust Board of Directors considers the purchase of property or a conservation easement from a covered person, except as noted under prohibitions, on a case-by-case basis. Such a purchase would require:

- review and recommendation of the Land and Stewardship Committees, with documented proof that the property/easement is integral to an established conservation plan, either one by the Trust or another recognized conservation group or public entity.
- a qualified independent appraisal obtained by the Trust (including other qualified valuations such as timber, mineral, water rights, etc., as needed) indicating a fair market valuation of the property and/or easement.

4.7.2 Sale of Trust Land: Skagit Land Trust Board of Directors will consider but not encourage purchase offers from covered parties, except as noted under prohibitions, for Trust land held in fee. Such property must be:

- widely advertised for sale.
- be offered at fair market value.
- Sales to insiders will be subject to:
a qualified independent appraisal.
proof that the insider has submitted the most competitive offer.

4.7.3 Property Exchanges: It is the policy of Skagit Land Trust to avoid exchanges of property with covered persons except in rare circumstances, to be determined on a case-by-case basis, by the Board of Directors. Such exchanges would be subject to:

- review and recommendation of the Land and Stewardship Committees, with documented proof that the property/easement is integral to an established conservation plan, either one by the Trust or another recognized conservation group or public entity
- a qualified independent appraisal of all property involved (including other qualified valuations such as timber, mineral, water rights, etc.) indicating the fair market value of all such property and verifying that the Trust is receiving equal or greater value in the exchange.

4.7.4 Gifts of Land: Skagit Land Trust will accept gifts of land from covered persons only after the gift has been reviewed under the Gift Acceptance Policy. In order to sign an 8283, the Trust requires that Insiders provide a qualified appraisal prepared by a qualified appraiser and that the Trust has no significant concerns about the tax deduction value.

4.7.5 Conservation Easement Donation: Skagit Land Trust will accept donations of conservation easements from covered parties, subject to:

- review and recommendation of the Land and Stewardship Committees, with documented proof that the property/easement is integral to an established conservation plan, either one by the Trust or another recognized conservation group or public entity.
- In order to sign an 8283, the Trust requires that Insiders provide a qualified appraisal prepared by a qualified appraiser and that the Trust has no significant concerns about the tax deduction value for the transaction.

4.7.6 Leases: Skagit Land Trust will review all proposed leases of property to or from covered persons, according to the following criteria:

- the lease has been widely marketed
- the lease is offered at or below fair market value
- a qualified independent appraisal or an independent economic substantiation of value for the transaction has been completed.
- proof that the insider has made the most competitive offer.

4.7.7 Conservation Buyer Transactions: Parameters for conservation buyer transactions with covered persons should follow LTA standards and practice, the Trust's gift acceptance policy and the Trust's conflict of interest policy.

4.8 All Transactions: All of the above transactions are subject to:

- evidence that no excess benefit accrues to the covered person involved.
- evaluation of the transaction's impact on public opinion and perception.
- final review and recommendation by the Executive Committee.
- final approval by the Board of Directors.
- full documentation of the disclosure, evaluation, discussion and final vote recorded in the Trust's minutes and kept as part of the Trust's permanent records.

4.9 Covered Persons: Covered persons directly involved in these transactions must:

- not be present for board discussions or voting or other committee meetings pertaining to the transaction, except to answer questions or provide information.,
- not attempt to unduly influence individuals involved in the decision-making process.
- if necessary, take a leave of absence from the board during negotiations.

4.10 Prohibitions:

- A. No Skagit Land Trust president or treasurer shall be compensated for any reason except for reimbursement of expenses. No board member should be compensated except as noted in 4.5.3.
- B. No president, treasurer or the ED etc. can be involved in a conflict of interest. Others on the board and staff may if handled appropriately.
- C. No covered person may share or utilize inside information obtained through his/her association with Skagit Land Trust for personal benefit and financial gain.
- D. No Skagit Land Trust president, treasurer or executive director, or a close relative or related organization to the aforementioned may purchase Trust property or participate in a property exchange with the Trust.
- E. Any land transactions with Skagit Land Trust board or staff must be approved by a two-thirds vote of the entire board.
- F. Board members who are attorneys may not represent landowners involved in transactions with SLT.

4.11 Conclusion:

In all cases, conflicts of interest, or circumstances giving rise to the appearance of a conflict of interest, must be disclosed to the Executive Committee by the insider involved in advance of initiating the action. Covered persons may not initiate or participate in the activities in question prior to approval by the board, and must avoid involvement in the decision-making process. Every effort will be made to avoid the conflict. If not, the conflict will be addressed through the Executive Committee, any other committee deemed necessary and the Board of Directors. All covered persons are expected to know and comply with this policy.

I have read the Conflict of Interest Policy

Signature _____

Date _____