

## CONFLICTS OF INTEREST

Applicability: This policy applies to all Oak Hill officers, members of the Board of Directors and Key Employees. For purposes of this policy, the term “Key Employees” includes all administrators, department heads, directors, supervisors, program managers, program supervisors, teachers, and all employees in the purchasing department.

### **I. Introduction and General Policy.**

Under Connecticut state law, a conflicting interest by a member of a board of directors of a nonstock corporation is defined in two contexts: first, a conflicting interest may arise with respect to any transaction; and second, such interest may occur in the narrower circumstances of those transactions normally requiring approval of the board of directors of such corporation.

In addition to conflicting interests as defined by state law, Oak Hill also prohibits its directors, officers and employees from engaging in any activity which conflicts with the interests of Oak Hill or the people it supports. In addition to financial transactions, conflicts of interest may arise in the areas of (1) personal or professional activities that compete with or are contradictory to the mission or purpose of Oak Hill, (2) use of Oak Hill facilities or equipment for personal financial gain, or (3) failure to safeguard the confidentiality of privileged information. In addition to actual conflicts of interest, directors, officers and employees of Oak Hill should strive to avoid even the appearance of any conflicts of interest.

### **II. Conflicts of Interest for Directors.**

With respect to any transaction, a director of Oak Hill has a conflicting interest if the director knows at the time of commitment that such director, or a related person, is a party to the transaction, has a beneficial financial interest in, or is so closely linked to the transaction which is of such financial significance to the director, or related person, that the interest would reasonably be expected to exert an influence on a director's judgment if he or she were called upon to vote on the transaction.

The term “related person” applies to: (a) the director's spouse; (b) a parent or sibling of the director's spouse; (c) the director's child and such child's spouse; (d) the director's grandchild and such grandchild's spouse; (e) the director's sibling and such sibling's spouse; (f) the director's parent and such parent's spouse; (g) an individual having the same home as the director; (h) a trust or estate in which any of the foregoing individuals is a substantial beneficiary, and (i) a trust, estate, incompetent, conservatee or minor for which the director serves as fiduciary.

The second type of transaction is one which is actually brought for approval by the Board of Directors, or which would be so brought in the normal course because of its

character and significance. For these types of transactions requiring Board approval, a director of Oak Hill has a conflicting interest if the director knows at the time of commitment that any of the persons specified below is a party to the transaction, has a beneficial interest in, or is so closely linked to the transaction which is of such financial significance to the person that the interest would reasonably be expected to exert an influence on the director's judgment were he or she called to vote on the transaction. For purposes of these transactions, such person includes: (a) an entity (other than Oak Hill) of which the Oak Hill director is a director, general partner, agent or employee; (b) a person who controls one or more of any such outside entities; (c) an entity controlled by, or under common control with, any such outside entity, or (d) an individual who is a general partner, principal or employer of the director.

### **III. Further Explanation of Legal Conflicts of Interest for Directors.**

Directors of Oak Hill must be aware that the potential for a conflicting interest transaction exists with respect to any transaction involving Oak Hill to which the director or a related person is a party or has a significant beneficial interest or close financial linkage. Related persons generally consist of individuals bearing close familial or quasi-familial relationship with the director.

In assessing the potential for conflicting interest transactions in that narrow class of transactions for which board approval would normally be required, Oak Hill's directors must consider a broader range of relationships. These are transactions which tend to be of greater significance to Oak Hill and which carry a higher risk of potential damage from a conflicting interest transaction. In such cases, a director of Oak Hill must expand the scope of his or her inquiry beyond familial relationships to determine whether an entity or individual with whom he or she has a defined business relationship also has a significant involvement in the transaction.

In any conflicting interest transaction, the director must assess his or her knowledge of the transaction as of the time of commitment. This means either the time when a transaction is consummated or the time when Oak Hill becomes contractually obligated so that its unilateral withdrawal from the transaction would not entail significant loss, liability or other damage. The requirements of Oak Hill's director to consider whether a transaction presents a conflict of interest apply equally in the case of transactions with any subsidiary of Oak Hill.

### **IV. Safe Harbors for Directors' Conflicting Interest Transactions.**

The Board of Directors may sanction a conflicting interest transaction pursuant to required disclosure of the facts by the director who has a conflicting interest and approval of the transaction by disinterested or "qualified directors." The elements of required disclosure under these circumstances are the existence and nature of the director's conflicting interest; and all facts known to the director respecting the subject matter of the transaction which an ordinarily prudent person would reasonably believe to be material to a judgment about whether to proceed with the transaction. "Qualified

directors” must have neither a conflicting interest with respect to the transaction; nor a familial, financial, professional nor employment relationship with a second director with a conflicting interest respecting the transaction which would reasonably be expected to exert an influence on the first director’s judgment when voting on the transaction. The qualified directors may approve the transaction directly by vote of a majority, but no fewer than two, of all qualified directors voting. A quorum for such purposes is a majority, but no fewer than two, of all qualified directors on the Board. Generally, in determining whether to approve a conflicting interest transaction, qualified directors should consider whether the process for entering into the transaction was fair and whether the price and quality of the purchase or contract which is the subject of the conflicting transaction is comparable or better than that which could be obtained through a competitive bidding or similar process.

#### **V. Conflicts of Interest for Officers.**

No officer of Oak Hill may have any financial interest or any personal beneficial interest, either directly or indirectly, in any contract or purchase order for any supplies, materials, equipment or contractual services furnished to or used by Oak Hill. If an officer has any such interest, or the potential for such interest, he or she shall disclose it to the President and shall not participate in any discussion, deliberation or other decision-making involving the subject matter of such interest. After disclosure of such interest or potential interest, the President may take any action he or she deems necessary to avoid a conflict of interest or the appearance of a conflict of interest, including the avoidance of any purchase or contract in contravention of this policy. The President need not take any action if he or she determines that the price and quality of the purchase or contract in question is comparable to or better than that which could be obtained through a competitive bidding or similar process. The President shall disclose any such interests to the Chairperson of the Board.

#### **VI. Conflicts of Interest for all Employees.**

Several examples of conflicts of interest by employees which should always be avoided are set forth below. Similar situations which create an actual conflict or even the appearance of such a conflict must be scrupulously avoided unless approved in advance by the President or his or her designee.

(1) No executive, administrative or Key Employee shall accept full-time, part-time or temporary employment nor provide consulting or contractual services to any organization which does business with Oak Hill.

(2) If an employee or a member of his/her immediate family has a significant financial, beneficial or personal interest with a person or firm which does business with Oak Hill and the interest is sufficient to affect the employee’s decisions or actions, the employee must report this interest to the President or his/her designee and must not represent Oak Hill in such transactions.

(3) No employee or member of his or her immediate family shall accept gifts from any person or firm doing or seeking to do business with Oak Hill under circumstances from which it might reasonably be inferred that the purpose of the gift is to influence the employee in the conduct of Oak Hill's business with the donor. Such gifts should be returned with a note of explanation. However, employees are not prohibited from accepting advertising novelties such as pens, pencils, and calendars, or other gifts of nominal value when circumstances clearly show that the gifts are offered for reasons of personal esteem and affection.

(4) No employee shall, directly or indirectly, give, offer, or promise anything of value to any representative of any financial institution, other contractor or vendor in connection with any transaction or business that Oak Hill may have with such financial institution, contractor or vendor.

(5) It is difficult, if not impossible, to describe all of the situations which may arise involving conflicts of interest. When an employee has a question concerning a possible conflict of interest, it is expected that he or she will request advice from Oak Hill's designated Compliance Officer.

(6) The President, in consultation with the designated Compliance Officer, may grant waivers to employees to the provisions of this policy only after it is determined that granting such waivers will not jeopardize or compromise the interests of Oak Hill.

## **VII. Dissemination to Employees**

This policy shall be made known to all employees through new employee orientation and inclusion in all policy manuals and handbooks.

## **VIII. Enforcement and Penalty for Employees**

The responsibility for enforcement of this policy regarding employees rests with each Key Employee of Oak Hill. Final decisions on proper enforcement and individual penalties shall be made by the President, after consultation with the designated Compliance Officer.

Penalties for violation of this policy by employees may include retraining as well as disciplinary action, up to and including discharge.

## **IX. Conflicts of Interest Annual Review for Members of the Board of Directors, Officers, and Key Employees.**

At least once each fiscal year prior to January 1, directors, officers and Key Employees shall review a list of vendors, contractors and suppliers of Oak Hill whose payments exceeded \$1,000 in the prior fiscal year or are expected to exceed \$1,000 in the current

fiscal year. Each director, officer and Key Employee of Oak Hill shall sign a written statement disclosing any conflict of interest as defined in this policy or the potential for such interest. Such statements shall be maintained by the designated Compliance Officer who shall report any such interests to the Chairperson of the Board of Directors of Oak Hill and the President for possible action pursuant to this policy.

#### **X. Record Keeping and Reporting**

The designated Compliance Officer shall maintain a record of all activities related to this policy, including requests for waivers and enforcement actions.

The Board of Directors shall receive an annual report from management of activities related to this policy.

Revised by the Board of Directors on September 17, 1997

Revised November 26, 2008

Revisions approved by the Board of Directors on January 29, 2009.