



MONROE COUNTY
MCIDC
INDUSTRIAL DEVELOPMENT CORP.
CONFLICT OF INTEREST POLICY

1. Purpose

Monroe County Industrial Development Corporation (MCIDC) conducts its business in accordance with high ethical standards. Maintenance of high ethical standards is essential to the safety and soundness of the organization and the well-being of our borrowers, employees, management, board, agents, and partners. Public trust in our industry and the taxpayer-supported lending programs we administer relies on our conducting business in this manner.

The purpose of this policy is to codify the values and expectations set by the board and management to ensure that high ethical standards are applied and maintained consistently. In recognition of the complex and competitive market environment in which we operate, this policy incorporates a decision-making tool for resolving ethical dilemmas that may arise, as well as practical “do’s and don’ts” for conducting business.

2. Values and Principles

The values and principles by which MCIDC conducts business are consistent with those outlined in the Code of Ethics established by the National Association of Development Companies (NADCO) for the CDC industry. They are as follows:

- We seek to carry out our duties and responsibilities at all times in a manner that is professional, prudent, and beyond reproach. We work to uphold the honor and reputation of our organization and industry.
- We practice with integrity, honesty, fairness, dignity, and respect for others.
- We recognize our responsibility to SBA to administer the loan programs in a manner which provides access to small businesses and accountability to the SBA.
- We conduct business in a manner that is consistent with the spirit and letter of all applicable laws, regulations, and rules and endeavor to uphold the trust placed in us by our small business clients, partners, SBA, and the public. We do not knowingly misrepresent facts.
- As economic development practitioners and lenders, we are mission-driven and work for the betterment of our small business clients and communities in which we lend.
- We recognize and exercise our fiduciary responsibility to our small business clients and seek to provide the highest level of transparency, such that they may make informed decisions.
- We operate on the basis of equal opportunity and do not deny our services to or discriminate against any person or persons on the basis of race, color, religion, sex, handicap, familial status, national origin, sexual orientation, military status or gender identity.
- We maintain in confidence the affairs of our clients and do not disclose confidential information without specific consent.

3. Referral Payments

As a general policy, payment of referral fees, kickbacks, or other similar compensation to third parties by MCIDC, a MCIDC employee, agent or other individual acting on MCIDC’s or a MCIDC employee’s behalf, is prohibited, unless an exception is specifically approved in advance by senior management. Approved exceptions include payments to the following:

- a. Commercial loan brokers who perform a service, namely, assistance with the packaging of the SBA 504 loan (a portion of the 1.5% CDC origination fee may be shared); and
- b. Out-of-state CDCs that refer a 504 project taking place in our market (a portion of the 1.5% CDC

origination fee may be shared).

In both of the cases above, and with any other approved exception, the payment may not be charged to the borrower and must be appropriately disclosed to the borrower and SBA via an executed Form 159, as required by federal regulations.

Referral payments, kickbacks and other similar compensation to bankers (or to a third party directed on behalf of a banker) are expressly prohibited. Such payments represent a violation of anti-bribery banking law.

Receipt of any referral fee, kickback or similar compensation by a MCIDC employee, agent or other individual acting on MCIDC's or a MCIDC employee's behalf, is prohibited unless an exception is specifically approved in advance by senior management.

4. Disclosure Requirement

As Board Member or employee, any doubt whether certain conduct is acceptable under this policy must come forward and fully disclose. Often, we are able to fix the potential conflict with safeguards to ensure the impartiality of both business decisions and business processes. If you choose not to disclose an activity, conduct or relationship that poses a potential conflict of interest, the MCIDC will not accept an argument that you were not sure whether such activity or relationship would pose a conflict and therefore decided not to disclose it. If MCIDC later determines that the activity or the relationship did pose a potential for a conflict of interest, you will be subject to disciplinary action, up to and including termination of employment. Ongoing tests may proceed when necessary as determined by the Board.

5. Interests in Other Businesses

Any of the Board members or employees, or immediate family members are not permitted to own any interest in another business which expects to sell goods or services to MCIDC, or to purchase materials from MCIDC, unless prior disclosure is made, and any business transaction is negotiated at arm's length and evaluated by independent company personnel and approved by the Board of Directors (Board). This prohibition does not include stock ownership by an employee in a publicly traded corporation. Any of the Board members or employees may not accept any gift, gratuity, or favor from any person or entity if it could be interpreted that the purpose was to influence you in the conduct of MCIDC business. In making this judgment, you must also consider what unfavorable interpretation might be placed on this action by a critical third party who has the advantage of hindsight. If you doubt as to the propriety of any gift, the gift should be declined as being contrary to MCIDC policy. It is not the intention of this policy to prohibit the giving or receiving of a gift of a nominal, social nature or gift exchange between persons having close relationships unrelated to business.

6. Standards of Business Practice - Do's and Don'ts

Do's

- Conduct business in a manner that brings respect to the MCIDC, our profession, and industry.
- Recognize that "reputation is everything" and is easily lost.
- Not harm - to MCIDC, to our borrowers, to our partners, to SBA.
- Always act with integrity, honesty, and adherence to the trust placed in us. Follow through on commitments knowing it is key to establishing and maintaining trust. Be truthful and operate in the manner of "full disclosure."
- Recognize that we all have a fiduciary duty to our borrowers. Act in their best interests - this is our priority. Understand that as a non-profit mission-driven lender providing taxpayer supported financing, we are held to a high standard.
- When entrusted by a borrower to identify a Third Party Lender(s), seek to provide a TPL offering competitive rates and fees.
- Always maintain the confidentiality of borrower information.
- Act in the best interests of partners while recognizing that their interests are subordinate to the interests

of our borrowers and the MCIDC. Where conflicts arise, communicate with senior management and fellow team members to resolve.

- Where an ethical dilemma exists, follow the Ethics Decision Tree tool above. Seek management assistance if you are not clear about how best to resolve to maintain our values and principles.
- As part of the credit and loan application process, always provide full disclosure of facts to ensure the integrity of the credit application and analysis.
- Be knowledgeable and sensitive to SBA requirements. Consult the SOP, communicate with underwriters and management as necessary.
- Recognize that integrity of the information that we provide within our organization and to SBA is critical and is expected by MCIDC's Board, management, and SBA. When providing information that is part of the credit review and loan application process, ensure that it is accurate if you are not 100% sure of its accuracy, state so and agree with your team members on how accuracy will be checked.
- Recognize that the MCIDC has many business relationships, all of which rely on trust. When these interests come into conflict, e.g., competing banks, be sensitive to this and communicate with your fellow employees and management so that these conflicts can be navigated and resolved in a manner that doesn't violate trust in our company.
- In the event a mortgage broker or other agent brings a project to MCIDC, ensure that the broker is to be vetted by management first.
- Be proactive in communication with your team members, management, and partners. Always be respectful.
- Be gracious and always take the high road.

Don'ts

- Don't discriminate or be judgmental, especially with regards to our borrowers.
- Don't evade SBA eligibility requirements. Where a gray area exists, consult with senior management to find an appropriate solution.
- Don't withhold information that is relevant to the credit process, eligibility, etc. or would potentially harm MCIDC business relationships.
- Don't "coach" or direct borrowers to make inaccurate representations as part of the loan application process.
- Don't violate the trust of a referral source by providing confidential information or otherwise competitive information.
- Don't offer or commit to referral fees unless they are discussed and approved by senior management and by MCIDC's referral fee policy above.
- Do not "steer" a borrower to a bank or other TPL lending institution because of referral fees/premiums the institution is paying.
- Don't attempt to satisfy a referral source's needs at the expense of the borrower or MCIDC; it's relationships with others and its reputation. Consult with senior management if you are having difficulty resolving a conflict of interests.
- Never "trash talk" other parties, including competitors, team members, partners, and other stakeholders.
- Don't accept gifts or gratuities (including discounts or other direct personal benefits) from borrowers, lenders, or partners over what is allowed per MCIDC policy, as stipulated in the employee handbook.

7. Procedure for Addressing Conflict of Interest

If the Board determines that a proposed transaction or arrangement presents a conflict of interest, the Board shall take the following actions:

- a) An interested person may make a presentation at the Board meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest;
- b) The Chairperson of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement;
- c) After exercising due diligence, the Board shall determine whether the Corporation can obtain with

reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest; and

- d) If a more advantageous transaction or arrangement is not reasonably possible under the circumstances not producing a conflict of interest, the Board shall determine by a majority vote of the disinterested Board members whether the transaction or arrangement is in the Corporation's best interest, for its benefit, and whether it is fair and reasonable. It shall make its decision as to whether to enter into the transaction or arrangement in conformity with this determination.
- e) Additionally, a Board member should also seek guidance from Counsel or the SBA.

8. Annual Statements

Each Board member shall annually sign a statement which affirms such person:

- a) A. Has received a copy of the conflicts of interest policy,
- b) B. Has read and understands the policy,

Approved by MCIDC Board November 9, 2021

Re-Adopted March 23, 2022

Approved by Board [date]: _____

EMPLOYEE ACKNOWLEDGEMENT TO THE CONFLICT OF INTEREST POLICY

I, _____, acknowledge that I have received and read MCIDC's Conflict of Interest Policy, that I understand its provisions and agree to abide by them. I also Certify, and I am in no conflict with any of the provisions stated in this Policy as well.

NAME

DATE

Approved by Board [date]: _____

BOARD MEMBER ACKNOWLEDGEMENT TO THE CONFLICT OF INTEREST POLICY

I, _____, acknowledge that I have received and read MCIDC's Conflict of Interest Policy, that I understand its provisions and agree to abide by them. I also Certify, and I am in no conflict with any of the provisions stated in this Policy as well.

NAME

DATE