

**CONFLICTS OF INTEREST AND COMPENSATION GUIDELINES**  
**OF**  
**USPTO APANET**

**Article I**

**Purpose**

The purpose of these Guidelines is to protect the interest of USPTO APANET (the “Corporation”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation, or any person or entity which may be regarded as a “disqualified person” within the meaning of Internal Revenue Code §4958. These Guidelines shall also apply when determining appropriate levels of compensation, direct and indirect, including benefits and perquisites. These Guidelines are intended to supplement, but not replace, any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations, as well as any provision in the Bylaws.

**Article II**

**Definitions**

**1. Interested Person**

Any director or officer (or any person with equivalent or similar powers, e.g., executive employees) or any “disqualified person” within the meaning of Code §4958, who has a direct or indirect financial interest, as defined below, is an interested person (“Interested Person”). If a person is an Interested Person with respect to any entity controlled by or affiliated with the Corporation, he or she is an Interested Person with respect to the Corporation and all other such entities.

## **2. Financial Interest**

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family--

- a. an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement, or
- b. a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or
- c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

“Compensation” includes direct and indirect remuneration, as well as gifts or favors, benefits, perquisites, reimbursements for personal expenses, and entitlements relating to personal uses of property of the Corporation. “Compensation” also includes “revenue-sharing transactions” within the meaning of Code §4958.

## **Article III**

### **Conflicts Procedures**

#### **1. Duty to Disclose**

In connection with any actual or possible conflicts of interest, any duality of financial interest or possible direct or indirect conflict of interest on the part of any director, officer, executive employee or any other Interested Person must be disclosed to the board [or special committees with board delegated powers (e.g. conflicts or compensation committees)] considering the proposed transaction or arrangement. Such disclosure shall include the existence and nature of his or her financial interest and shall be made a matter of record through the

periodic procedure established herein and again when the interest becomes a matter of board action.

## **2. Determining Whether a Conflict of Interest Exists**

a. After disclosure of the financial interest, the Interested Person shall leave the board or committee meeting and shall not participate in the final deliberation or decision while the financial interest is discussed and voted upon. However, the Interested Person shall provide the board or committee with any relevant information concerning the possible conflict of interest. The remaining board or committee members shall decide if a conflict of interest exists.

b. The minutes of the board or committee shall reflect that the conflict of interest was disclosed and the Interested Person was not present during the final discussion or vote and did not vote. When there is doubt as to whether a conflict of interest exists, the matter shall be resolved by a vote of the board (or its committee) excluding the Interested Person concerning the situation as to which the doubt has arisen. Any Interested Person who contemplates providing for a fee goods, services, or facilities to the Corporation, as set forth in Article V(d) below, additionally, shall disclose fully all relevant information pertaining to the market value of said goods, services, or facilities.

c. The foregoing requirements shall not be construed as preventing an Interested Person from briefly stating his or her position on the matter, nor from answering pertinent questions of other directors since his or her knowledge may be of great assistance.

## **3. Procedures for Addressing the Conflict of Interest**

a. The chairperson of the board, president or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

b. After exercising due diligence, the board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.

c. 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 whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

#### **4. Violations of the Conflicts of Interest Guidelines**

a. If the board or committee has reasonable cause to believe that a director, officer or executive employee has failed to disclose actual or possible conflicts of interest, it shall inform the director, officer or executive employee of the basis for such belief and afford the director, officer or executive employee an opportunity to explain the alleged failure to disclose.

b. If, after hearing the response of the director, officer or executive employee and making such further investigation as may be warranted under the circumstances, the board or committee determines that the director, officer or executive employee is an Interested Person and has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

### **Article IV**

#### **Records of Proceedings**

The minutes of the board and any committee with board-delegated powers shall contain:

- a. the names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed;
- b. the names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith;
- c. a description of procedures followed, in accord with the Bylaws and these Guidelines; and,
- d. references to such studies, compilations, reports, and other materials on which the board relied or referred in determining whether proposed compensation was reasonable.

## **Article V**

### **Compensation Procedures**

- a. No director, acting as such, shall receive compensation from the Corporation. Reimbursement of reasonable expenses paid or incurred by a director on Corporation business shall not be treated as compensation.
- b. No Interested Person shall vote on any matter relating to his or her compensation irrespective of whether said compensation is received from the Corporation or any entity controlled by or affiliated with the Corporation.
- c. The Corporation shall endeavor to ensure that all compensation arrangements affecting Interested Persons are objectively reasonable, based on the relevant market for persons of comparable skills, training, education, and experience and performing similar duties for comparable organizations under similar conditions and circumstances. The Corporation shall

consider and give due weight to studies published by third parties regarding rates of compensation whenever and, to the extent that, such studies are reliable and available. The Corporation shall endeavor to ensure that no transaction or compensation arrangement results in any “excess benefit,” as that term is defined in Code §4958.

d. Additionally, the Corporation shall not enter into arrangements with a director, officer or executive employee to furnish goods, services or facilities relating to the Corporation’s operations, unless by a two-thirds (2/3) majority vote, the board first shall have determined affirmatively that the consideration proposed to be charged, and the terms and conditions relating thereto, by the director, officer or executive employee for the provisions of said goods, services, or facilities to the Corporation is in the best interest of the Corporation. This provision shall extend to the family of any director, officer or executive employee and to any firm owned or controlled (35% or more of the voting, or capital, or profits interest) by the director, officer, or executive employee and/or a member of his or her family.

## **Article VI**

### **Annual Statements**

a. Each director, officer, and executive employee shall annually sign a statement which affirms that such person--

1. has received a copy of the Bylaws and these Guidelines;
2. has read and understands the Bylaws and these Guidelines;
3. has agreed to comply with them; and,
4. understands that the Corporation is a charitable organization; that to maintain federal tax exemption the Corporation must engage primarily in activities which accomplish its

tax-exempt purposes; and, the Corporation's directors, officers, and executive employees are responsible for ensuring the Corporation is faithful to its charitable purposes.

b. Every new director, officer and executive employee of the Corporation will be advised of these Guidelines upon assuming his or her duties.

c. A conflict of interest disclosure statement shall be furnished annually to each director, officer and executive employee who is presently serving the Corporation, and who may hereafter become associated with it. Such statements shall be appended to the minutes of the annual meeting of the directors of the Corporation and treated as an integral part thereof.

## **Article VII**

### **Periodic Reviews**

To ensure that the Corporation operates in a manner consistent with its Code section 501(c)(3) purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements are objectively reasonable;
- b. Whether sales or acquisitions by the Corporation result in inurement or impermissible private benefit;
- c. Whether transactions and arrangements conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Corporation's tax-exempt, charitable purposes, and do not result in inurement or impermissible private benefit; and,
- d. Whether the Corporation's expense reimbursement procedures are adequate in terms of required documentation, whether persons seeking reimbursement are complying with

these procedures, and whether such expenses relate to furthering the Corporation's tax-exempt, charitable purposes and do not result in inurement or impermissible private benefit.

## **Article VIII**

### **Use of Outside Experts**

In conducting the periodic reviews provided for herein, the Corporation may, but need not, retain advisors and consultants to provide assistance and advice. If "outside" experts are used, such use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted and these Guidelines are carried out.

## **Article IX**

### **Miscellaneous Provisions**

- a. All directors and officers, by virtue of their election to that position, stand in a fiduciary relationship *vis-a-vis* the Corporation and, as such, in addition to the above, must act fully in accordance with the common law and Virginia law relating to fiduciary duties.
- b. These provisions, where not separately stated or excused, shall also apply to all employees of the Corporation. As to all references to "family," such term shall include a person having a close personal relationship to said director, officer, or employee.

These Guidelines were adopted, effective as of November 23, 2021, by [the unanimous written consent of the directors or the majority vote of the directors] of the Corporation.

Attest:

Kang Hu



Secretary of USPTO APANET

Title:

Date: Februrary 18th, 2022.