

Paul Stewart

7:43 PM (1
hour ago)

to Ron, Matt, me

----- Forwarded Message -----

From: Nancy Delain <nbdelain@ipattorneyfirm.com>
To: Paul Stewart <p_stewart79@yahoo.com>
Cc: Mary Liz Stewart <marylizugr@gmail.com>
Sent: Thursday, February 26, 2026 at 02:23:08 PM EST
Subject: Re: Hi Nancy - Paul here

Hey Paul!

Sorry for the delay. Somehow, your email went to spam; I hope I've now fixed the issue...but it's Google. Who knows.

The problem with hiring your daughter's business is the business structure. You say she's a DBA. As you've heard me say in the business start-up course, a DBA is nothing but a county-based license for an individual to do business under an assumed name. You are the business, the business is you. Thus, hiring your daughter's DBA is hiring your daughter. Identical. No difference.

To hire your daughter or her business, which is permissible, it is **not enough** to have disclosure, and a quorum vote. The board must also: make a documented determination that the contract is **fair, reasonable, and in the corporation's best interest**, and follow the enhanced approval process required for charitable corporations.

The director (you) must fully disclose the familial relationship, and disclose any material facts regarding the compensation and services. This should be **reflected clearly in the minutes**.

You and MaryLiz must then recuse yourselves ... as in leave the room ... from all deliberations. You may not vote on whether or not to hire your daughter or her business, but you must answer factual questions before the board begins deliberating (services to be rendered, price to be paid, length of anticipated service ... like that). The recusal must be documented in the minutes.

The Board then must determine if the transaction is fair, reasonable, and in the best interest of UREC at the time of the desired approval. The board must also consider alternative transactions (that would be other vendors for those services), approve the hire by a simple majority vote of the directors present, and, **VERY IMPORTANT**, document the basis for approval, including all alternatives considered.

The minutes should include:

- Nature of the relationship
- Compensation terms
- Comparable market data (if available)
- Alternatives considered
- Recusal statement
- Vote tally
- Fairness/best-interest determination

Failure to properly document is where nonprofits often get into trouble with the Attorney General.

Here are some **VERY** important compensation considerations.

- Compensation must not be excessive.
- Comparable rate analysis is strongly advisable.
- Avoid percentage-of-revenue or vague open-ended arrangements.
- A written independent contractor agreement is essential.

If compensation appears inflated or unsupported, the transaction can be challenged by the NY Attorney General, a derivative action by UREC members (does UREC have members?), and/or IRS scrutiny if UREC is a 501(c)(3).

The hire is legally okay, but it does bring with it heightened scrutiny. The hire MUST be procedurally pristine. This is especially sensitive if the compensation is substantial (I don't know what "substantial" means in this context).

Thus, I would advise the board to:

- Obtain at least 2–3 comparable contractor quotes
- Put the fairness analysis in writing
- Have the conflicted director physically leave the room
- Adopt a written resolution with detailed findings
- Ensure Conflict of Interest Policy annual disclosures are current

Possible red flags include:

- No written agreement
- Above-market compensation
- No alternatives considered
- The director informally influencing the process
- Repeated related-party contracts
- Inadequate minutes

Hope this helps.