

# **Fownes Foundation**

## **CONFLICTS OF INTEREST POLICY**

### **Article I**

#### **Purpose**

The purpose of the conflicts of interest policy is to protect the Foundation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a voting member of the Foundation, a member of the Board of Directors, a principal officer, or a member of a committee with board-delegated powers of the Foundation. This policy is intended to supplement but not replace any applicable federal or state laws governing conflicts of interest applicable to nonprofit corporations.

### **Article II**

#### **Definitions**

##### 1. Interested Person

Any voting member of the Foundation, member of the Board of Directors, principal officer, or member of a committee with board-delegated powers who has a direct or indirect Financial Interest, as defined below, or who could create the appearance of having a conflict of interest, is an Interested Person. If a person is an Interested Person with respect to any entity of which the Foundation is a subsidiary or parent organization, (collectively, "affiliate"), he or she is an Interested Person with respect to all entities in the affiliated organization.

##### 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 Foundation has a transaction or arrangement, or
- b. a compensation arrangement with the Foundation or with any entity or individual with which the Foundation 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 Foundation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A Financial Interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a Financial Interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

### 3. Business Relationship

A Business Relationship between two persons includes the following:

- a. being employed by the other in a sole proprietorship or by an organization with which the other is associated as a trustee, director, officer, key employee, or greater-than-35% owner, or
- b. transacting business with the other (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly, in one or more contracts of sale, lease, license, loan, performance of services, or other transaction involving transfers of cash or property valued in excess of \$10,000 in the aggregate during the organization's tax year, or
- c. the two persons are each a director, trustee, officer, or greater-than-10% owner in the same business or investment entity. This definition does not include a relationship between (a) attorney and client, (b) medical professional and patient, or (c) priest/clergy and penitent/communicant.

### 4. Family Relationship

A person shall have a Family Relationship with anyone who is a spouse, ancestor, brother, sister (whether whole or half blood), child, grandchild or great-grandchild of the person, or with anyone who is a spouse of the person's brother, sister (whether whole or half blood), children, grandchildren or great-grandchildren.

## **Article III** **Procedures**

### 1. Duty to Disclose

In connection with any actual or possible conflicts of interest, an Interested Person must disclose the existence of his or her Financial Interest and must be given the opportunity to disclose all material facts to the voting members, members of the Board of Directors, and/or members of committees with board-delegated powers considering the proposed transaction or arrangement.

An Interested Person must disclose the existence of any Business Relationship or Financial Relationship on an ongoing basis.

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

After disclosure of the Financial Interest and all material facts, and after any discussion with the Interested Person, he/she shall leave the membership, board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining voting members, members of the Board of Governors, or committee members shall decide if a conflict of interest exists.

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

- a. An Interested Person may make a presentation at the membership, board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
  - b. The chairperson of the voting members, board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
  - c. After exercising due diligence, the voting members, board or committee shall determine whether the Foundation 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.
  - d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the voting members, board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Foundation's best interest and for its own benefit and whether the transaction is fair and reasonable to the Foundation 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 Policy
- a. If the voting members, board or committee has reasonable cause to believe that a voting member, Board of Directors member, or committee member has failed to disclose actual or possible conflicts of interest, it shall inform the voting member, Board of Directors member, or committee member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
  - b. If, after hearing the response of the voting member, Board of Directors member, or committee member and making such further investigation as may be warranted in the circumstances, the membership, board or committee determines that the member has in fact 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 voting members, the board and all committees with board-delegated powers shall contain:

1. 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.

2. 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.

The voting members, board or committee shall also complete a Potential Conflicts of Interest Tracking Form, attached hereto as Exhibit A.

#### **Article V** **Compensation**

1. A voting member of the board of directors who receives compensation, directly or indirectly, from the Foundation for services is precluded from voting on matters pertaining to that member's compensation.

2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Foundation for services is precluded from voting on matters pertaining to that member's compensation.

#### **Article VI** **Annual Statements**

Each voting member, director, principal officer and member of a committee with board-delegated powers shall annually sign a statement which affirms that such person has received a copy of the Policy, has read and understands the Policy, has agreed to comply with the Policy, and understands that the Foundation is a non-profit organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes (the "Annual Statement"). A copy of the Annual Statement is attached hereto as Exhibit B. The Annual Statement also includes a listing of all corporations, partnerships, proprietorships or other profit or non-profit entities or organizations in which such Interested Person or family member has an interest as an officer, governor, trustee, employee, partner, or shareholder or other ownership interest, and shall identify the approximate percentage of any such ownership interest. Interested Persons shall disclose interests held in publicly traded corporations if the value of such interest exceeds \$10,000 as determined through reference to public prices. An Interested Person is not deemed to have a Financial Interest in a publicly traded corporation by reason of an investment in that entity by another publicly traded entity, such as through a mutual fund, of which the Interested Person does not control investment decisions. In the event that there is a change in an Interested Person's Financial Interests during the year, such Interested Person should complete and return to the Foundation the Supplemental Conflicts of Interest Disclosure Form, attached hereto as Exhibit C.

**Article VII**  
**Periodic Reviews**

To ensure that the Foundation operates in a manner consistent with its tax exempt 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 and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether any services or arrangements regarding dues differentials or disparities in benefits result in inurnment or impermissible private benefit.
- c. Whether partnership and joint venture arrangements and arrangements with management service organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Foundation's tax exempt purposes and do not result in inurnment or impermissible private benefit.
- d. Whether agreements to provide services and agreements with independent contractors, employees, and third party payors further the Foundation's tax exempt purposes and do not result in inurnment or impermissible private benefit.

**Article VIII**  
**Use of Outside Experts**

In conducting the periodic reviews provided for in Article VII, the Foundation may, but need not, use outside advisors. If outside experts are used their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.

**Fownes Foundation**

**CONSIDERATION OF POTENTIAL CONFLICTS OF INTEREST TRACKING FORM**

**Interested Person:**

\_\_\_\_\_  
(Last name, First name)

*The Board of Directors of the Fownes Foundation (the "Foundation"), the voting members of the Foundation, or a Board Committee of the Foundation considered the existence of the following Financial Interest that is a potential conflict of interest. (Please describe.)*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Determination of Voting Members, Board or Board Committee**

*(Please check one.)*

The disclosed Financial Interest does not create a Conflict of Interest as determined by the (check one)  voting members  Board  Board Committee on \_\_\_\_ / \_\_\_\_ / \_\_\_\_.

The disclosed Financial Interest creates a Conflict of Interest as determined by the (check one)  voting members  Board  Board Committee on \_\_\_\_ / \_\_\_\_ / \_\_\_\_\_, and the Conflicts of Interest Policy was followed in evaluating the transaction.

\_\_\_\_\_  
(Signature of Board Chairperson)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
Committee Name, if applicable

*Please submit completed form to the Administrator of the Foundation, or his/her designee, to be retained for use in preparing the Foundation's IRS Form 990.*

# Fownes Foundation

## ANNUAL CONFLICTS OF INTEREST STATEMENT

The Fownes Foundation (the “Foundation”) requires that each Interested Person, as defined in the Foundation’s Conflicts of Interest Policy (the “Policy”) annually:

1. review the Foundation’s Policy;
2. disclose all Financial Interests;
3. disclose all Business Relationships;
4. disclose all Family Relationships; and
5. acknowledge by his or her signature that he or she is acting in accordance with the letter and spirit of the Policy.

The information provided on this form will be available for inspection by the Board or Board Committee, as the case may be, but shall otherwise be held in confidence except when the Board is required by law to disclose it.

Please respond to the following question to the best of your knowledge.

1. Please list all corporations, partnerships, associations or other organizations, whether for profit or non-profit, which may have a business relationship with the Foundation and of which you are an officer, director, trustee, partner or employee, and describe your affiliation with each such entity.

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2. Please list all corporations, partnership or other entities in which you have a Financial Interest as defined in the Policy. For publicly traded companies, list only those companies in which you have an interest worth \$10,000 or more.

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3. Please list any proposed business dealing between the Foundation and you, your family members, and/or entities in which you or any family member has a Financial Interest. Describe each such relationship listed and the actual and potential financial benefits to you or your family member, as the case may be, as you can best estimate them.

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4. Please list any Business Relationship between you and any officer, director, trustee or key employee of the Foundation. For each Business Relationship, identify the person and describe each such relationship listed.

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5. Please list any Family Relationship between you and any officer, director, trustee or key employee of the Foundation. For each Family Relationship, identify the person and describe each such relationship listed.

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6. Are you aware of any other relationships, arrangements, transactions or matters that could create a conflict of interest or a potential conflict of interest? If so, please describe.

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7. Please list all business dealings that you, your family members and/or entities in which you have a Financial Interest have had with the Foundation in the past two years.

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I have received a copy of the Policy and I have read and understand the Policy. I understand that the Foundation is a nonprofit organization and that in order to maintain its federal tax-exemption it must engage primarily in activities which accomplish one or more of its tax exempt purposes. I understand that I have an ongoing obligation to disclose Financial Interests, Business Relationships and Family Relationships under the Policy. I am currently and agree to remain in compliance with the Policy.

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Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

**Fownes Foundation**

**SUPPLEMENTAL CONFLICTS OF INTEREST DISCLOSURE FORM**

*Since the completion of my Annual Conflict of Interest Questionnaire, there have been changes regarding my Financial Interests, Business Relationships, or Family Relationships that I am disclosing to the Fownes Foundation (the "Foundation") in compliance with the Foundation's Conflicts of Interest Policy.*

(Please describe):

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Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_