

THE COAST GUARD FOUNDATION, INC.

Conflict of Interest Policy

Article I – Purpose

Many trustees, directors, officers, and employees of the Coast Guard Foundation, Inc. (“Foundation”) are engaged in a variety of civic and business pursuits. The Foundation benefits substantially from the many perspectives brought to the Board and staff by those working, volunteering, or otherwise making commitments in these diverse fields. However, it is important to ensure that any conflict of interest, real or perceived, between the Foundation and its trustees, directors, officers and employees be disclosed and resolved.

Trustees, directors, officers, and employees are expected to act at all times in the best interest of the Foundation, regardless of their personal profit or loss or that of a family member or business associate. In addition, trustees, directors, officers, and employees are expected to keep all the Foundation business confidential and not to use their Foundation affiliation in any inappropriate manner.

The purpose of this conflict of interest policy is to protect the interests of the Foundation, when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, or trustee of the Foundation, or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interests applicable to nonprofit and charitable organizations.

Article II – Definitions

1. “Compensation” shall mean any direct or indirect remuneration as well as gifts or favors that are not insubstantial.
2. “Conflict of Interest” is defined as a transactions or arrangement including an Excess Benefit Transaction, between the Foundation and a Disqualified Person pursuant to which the Foundation receives value in an amount less than the economic benefit provided, and is determined to be a conflict of interest by the Executive Committee pursuant to this Policy.
3. “Disqualified Person” is defined as any person in a position to exercise substantial influence over the affairs of the Foundation at any time during the five-year period proceeding the transaction or arrangement. A benefit may be provided directly or indirectly through a contractual entity or intermediary.

4. “Excess Benefit Transaction” shall mean any transaction or arrangement that results in the Foundation providing (directly or indirectly) an economic benefit to a Disqualified Person exceeding the value of the consideration (including service rendered) received by the Foundation. Excess Benefit Transactions may include unreasonable compensation, leases, loans or sales between the Foundation and a Disqualified Person.
 5. “Financial Interest” shall mean a direct or indirect interest, through business, investment, or family in:
 - (a) an ownership interest or investment interest in any entity with which the Foundation has entered into a transaction or arrangement,
 - (b) a compensation arrangement with the Foundation or with any entity or individual with which the Foundation has entered into 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.
- 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 Executive Committee decides that a Conflict of Interest exists.
6. “Interested Person” shall mean any trustee, director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect Financial Interest.

Article III – Procedures

In order to implement this policy, the Foundation has developed the following procedures:

- 1) Annual Disclosure Requirements.
 - (a) Each trustee, director, officer, and senior employee will be asked at the beginning of each fiscal year to complete a questionnaire detailing potential conflicts of interest, based on employment, business, or civic affiliations or other activities.

Candidates for the Board of Trustees and newly hired senior employees will also be asked to complete the questionnaire prior to commencement of service.

(b) These questionnaires will be reviewed by the Chair of the Board of Directors who will report to the Executive Committee. The questionnaire of the Chair will be submitted for review by the Treasurer who will report to the Executive Committee. The questionnaires will be on file at the Foundation headquarters and will be available for review by any director or officer.

(c) Matters involving an actual or potential Conflict of Interest shall be addressed pursuant to this Policy.

2. Duty to Disclose.

In connection with any actual or possible Conflict of Interest, including an Excess Benefit Transaction, an Interested Person must disclose the existence of the Financial Interest and be given the opportunity to disclose all material facts to the members of the Executive Committee or such other committees with governing board delegated powers considering the transaction or arrangement.

3. 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 Executive Committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining, disinterested Executive Committee members shall decide if a Conflict of Interest exists.

4. Procedures for Addressing the Conflict of Interest.

The procedure to follow in regard to any question as to whether a Conflict of Interest exists shall be as follows:

(a) An Interested Person may make a presentation at the Executive Committee 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 Executive 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 Executive Committee shall determine based upon its review of appropriate data as to comparability whether the Foundation can obtain, with reasonable efforts, more advantageous terms for the proposed transaction or arrangement 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 possible under circumstances which would not produce a Conflict of Interest, the Executive Committee shall determine by a majority vote of members who are not Interested Persons whether the transaction or arrangement is in the Foundation's best interest, and whether it is fair and reasonable. In conformity with the above determination, the Executive Committee shall make its decision as to whether to enter into the transaction or arrangement, and shall communicate that decision as provided in this Policy.

5. Violations of the Conflict of Interest Policy.

If the Executive Committee has reasonable cause to believe a trustee, director, officer or member of a committee with governing board delegated powers has failed to disclose actual or possible Conflict of Interest, it shall:

- (a) inform the trustee, director, officer or member of the basis for such belief and afford the trustee, director, officer or member an opportunity to explain the alleged failure to disclose any Conflict of Interest.
- (b) If, after hearing the response of the trustee, director, officer or member, and after making further investigation as in the discretion of the majority of the Executive Committee deems reasonably warranted by the circumstances, the Executive Committee determines the trustee, director, officer or member has failed to disclose an actual or possible Conflict of Interest, it shall take such appropriate disciplinary and corrective action as the majority of the **Executive Committee** determines to be warranted by the circumstances, up to and including removal of said trustee, director, officer or member from his or her position in the Foundation, and shall communicate that decision as provided in this Policy

Article IV - Recordings of Proceedings.

The minutes of the **Executive Committee** and all committees with board delegated powers shall be distributed to all trustees, and 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 governing 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 with the proceedings.

Article V – Compensation.

In matters related to compensation, including possible Excess Benefit Transactions, the Foundation shall ensure the following:

- (a) A voting member of the governing board who receives compensation, directly or indirectly, from the Foundation for services is precluded from voting on matters pertaining to that member's compensation.
- (b) 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.
- (c) No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Foundation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI - Annual Statements.

Each trustee, director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- (a) Has received a copy of the Conflict of Interest Policy,
- (b) Has read and understands the Policy,
- (c) Has agreed to comply with the Policy, and
- (d) Understands the Foundation is a charitable organization and in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII - Periodic Reviews.

To ensure the Foundation operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (a) Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- (b) Whether partnerships, joint venturers, and arrangements with management conform to the Foundation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

Article VIII - Use of Outside Experts.

When conducting the periodic reviews as 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 governing board of its responsibility for ensuring periodic reviews are conducted.