



FOLDS *of* HONOR

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CONFLICT OF INTEREST POLICY

SECTION 1: PURPOSE

Folds of Honor (“FOH”) is a nonprofit, tax-exempt organization. Maintenance of its tax-exempt status is important both for its continued financial stability and for public support. Therefore, the IRS, as well as state regulatory and tax officials, view the operations of FOH as a public trust, which is subject to scrutiny by and accountable to such governmental authorities, as well as to members of the public.

Consequently, there exists between FOH and its Board, Officers and management employees, and the public a fiduciary duty, which carries with it a broad and unbending duty of loyalty and fidelity. The Board, Officers, and management employees have the responsibility of administering the affairs of FOH honestly and prudently, and of exercising their best care, skill, and judgment for the sole benefit of FOH. Those persons shall exercise the utmost good faith in all transactions involved in their duties, and they shall not use their positions with FOH or knowledge gained therefrom for their personal benefit. The interests of the organization must be the first priority in all decisions and actions.

SECTION 2: PERSONS CONCERNED

This statement is directed not only to Directors and Officers, but to all employees who can influence the actions of FOH. For example, this would include all individuals who make purchasing decisions, all individuals who might be described as “management personnel,” and anyone who has proprietary information concerning FOH.

SECTION 3: AREAS IN WHICH CONFLICT MAY ARISE

Conflicts of interest may arise in the relations of Directors, Officers, and management employees with any of the following third parties:

1. Persons and firms supplying goods and services to FOH.
2. Persons and firms from whom FOH leases property and equipment.
3. Persons and firms with whom FOH is dealing or planning to deal in connection with the gift, purchase or sale of real estate, securities, or other property.
4. Persons or firms with whom FOH has a business partnership.

5. Competing or affinity organizations.
6. Persons or firms with whom Directors, Officers or employees have, or seek to have, a business relationship.
7. Donors and others supporting FOH.
8. Agencies, organizations, and associations which affect the operations of FOH.
9. Family members, friends, and other employees.

SECTION 4: NATURE OF CONFLICTING INTEREST

A conflicting interest may be defined as an interest, direct or indirect, with any persons or firms mentioned in Section 3. Such an interest might arise through:

1. Owning stock or holding debt or other proprietary interests in any third party dealing with FOH.
2. Holding office, serving on the board, participating in management, or being otherwise employed (or formerly employed) with any third party dealing with FOH.
3. Receiving remuneration for services with respect to individual transactions involving FOH.
4. Using FOH's time, personnel, equipment, supplies, or good will for other than FOH-approved activities, programs, and purposes.
5. Receiving personal gifts or loans from third parties dealing or competing with FOH. Receipt of any gift is disapproved except gifts of a value less than \$50, which could not be refused without discourtesy. No personal gift of money should ever be accepted.

SECTION 5: INTERPRETATION OF THIS STATEMENT OF POLICY

The areas of conflicting interest listed in Section 3, and the relations in those areas which may give rise to conflict, as listed in Section 4, are not exhaustive. Conflicts might arise in other areas or through other relations. It is assumed that the Directors, Officers, and management employees will recognize such areas and relation by analogy. The principles of transparency and full disclosure of activities which might pose a conflict of interest shall guide all who may be affected by this Policy. In other words, when a person reasonably believes that a conflict of interest may exist, it should be reported immediately in accordance with Section 6.

The fact that one of the interests described in Section 4 exists does not necessarily mean that a conflict exists, or that the conflict, if it exists, is material enough to be of practical

importance, or if material, that upon full disclosure of all relevant facts and circumstances it is necessarily adverse to the interests of FOH.

However, it is the policy of the Board that the existence of any of the interests described in Section 4 shall be disclosed before any transaction is consummated. It shall be the continuing responsibility of the Board, Officers, and management employees to scrutinize their transactions and outside business interests and relationships for potential conflicts and to make such disclosures immediately.

SECTION 6: PROCEDURES

- 1. Duty to Disclose.** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial or other possible conflicting interest and disclose all material facts to Board members or members of a duly constituted committee thereof considering the proposed transaction or arrangement.
- 2. Determining Whether a Conflict of Interest Exists.** After disclosure of all material facts, and after any discussion with the interested person, he/she shall leave the Board meeting or meeting of a duly constituted committee thereof while the determination of a conflict of interest is discussed and voted upon. The remaining Board members or members of a duly constituted committee thereof shall decide if a conflict of interest exists.
- 3. Procedure for Addressing the Conflict of Interest.**
 - a. An interested person may make a presentation at the Board meeting or meeting of a duly constituted committee thereof, 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 or a duly constituted committee thereof shall, if appropriate, appoint a disinterested person or committee to investigate the proposed transaction or arrangement.
 - c. After exercising due diligence, the Board or a duly constituted committee thereof shall determine whether FOH 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.
 - d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or a duly constituted committee thereof shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in FOH's best interest, for its own benefit, and whether it is fair and

reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violation of Conflict of Interest Policy.

- a. If the Board or a duly constituted committee thereof has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the 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 member's response and after making further investigation as warranted by the circumstances, the Board or a duly constituted committee thereof determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and/or corrective action.

SECTION 7: MINUTES OF MEETINGS AND DECISIONS

The minutes of the Board or a duly constituted committee thereof shall reflect any decisions as to whether an actual conflict of interest occurred and the resolution of the issue by the Board or a duly constituted committee thereof. The names of the Board members or members of a duly constituted committee thereof resolving the matter shall also be reflected in the minutes.

SECTION 8: COMPENSATION

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

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

No voting member of the Board or a duly constituted committee thereof whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from FOH, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

SECTION 9: ANNUAL STATEMENTS

Each Director, Officer and designated employee shall annually sign a statement which affirms such person:

1. Has received a copy of the FOH Conflicts of Interest Policy,
2. Has read and understands the policy,

3. Has agreed to comply with the policy, and
4. Understands that FOH is charitable 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.

SECTION 10: PERIODIC REVIEWS

To ensure FOH 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:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and other business arrangements conform to FOH'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.

SECTION 11: USE OF OUTSIDE ADVISORS

When conducting the periodic reviews as provided for in Section 10 above, FOH may, but need not, use outside counsel or other advisors. If outside advisors are used, such use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.