

THE NORTHWEST FOUNDATION

Conflict of Interest Policy

Section 1. Purpose. The purpose of the conflict of interest policy is to protect Northwest Foundation, Inc.'s ("Foundation") interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director or board member of the Foundation. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit and charitable corporations. Compliance with this policy is the responsibility of everyone involved with Foundation governance in an elected or appointed capacity, including the duty to immediately report any suspected violations.

Section 2. Definitions.

- A. **Interested Person.** Any officer, director or committee member with board-delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
- B. **Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment or family:
- (a) a material ownership or investment interest in any entity with which the Foundation has a transaction or arrangement, or
 - (b) a material compensation arrangement with the Foundation or with any entity or individual with which the Foundation has a transaction or arrangement, or
 - (c) a material potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Foundation is negotiating a transaction or arrangement.
- C. **Family Member.** For the purposes of this policy, a family member is defined as spouse, children, parents, siblings, grandparents and great grandparents, grandchildren and great grandchildren, and the spouses and children or anyone in these classes.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. Conflicts can arise from many ordinary and appropriate activities. The existence of a conflict does not imply wrongdoing on anyone's part and no "presumption of guilt" is created by the mere existence of a relationship with outside firms. Some relationships may create an appearance of a conflict; those, too, are important to eliminate or manage so that we may maintain public confidence in the integrity of our activities. Under Section 3.B of this Article, a person who has a financial interest may have a conflict of interest only if the Board or appropriate committee decides that a conflict of interest exists.

Section 3. Procedures.

- A. **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 all material facts to the Board of Directors and/or members of the committee with Board delegated powers considering the proposed transaction or arrangement.
- B. **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 or she shall leave the Board, committee, subcommittee or council meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists; provided, however, if the interested person believes a conflict of interest exists, the Board or committee shall be guided by the belief of the interested person in reaching its decision.
- C. **Procedures for Addressing the Conflict of Interest.** The following procedure shall apply with respect to the approval of a proposed transaction or arrangement that has been determined to be a conflict of interest by the Board or committee:

- (a) An interested person may make a presentation at the Board or committee meeting, but after such presentation, he/she must leave the meeting during the discussion of, and the vote on, the transaction or arrangement that result in the conflict of interest.
- (b) The chair of the 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 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 Board or committee shall determine, by a majority vote of the disinterested Directors, committee, subcommittee or council members 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.

D. Violations of the Conflicts of Interest Policy.

- (a) If the Board or committee has reasonable cause to believe that 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 response of the member and making such further investigation as may be warranted in the circumstances, the 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.

Section 4. Records of Proceedings. The minutes of the Board and all committees or subcommittees 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 decisions of the Board or committee as to whether a conflict of interest in fact existed.
- (b) the names of the persons who were present for discussions or 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.

Section 5. Periodic Reviews. To ensure that the Foundation operates in a manner consistent with its purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, annual reviews of all transactions with interested persons shall be conducted. A report of such annual review shall be made to the Board and reflected in the minutes of the Board.

Section 6. Use of Outside Experts. In conducting the reviews provided for in Section 5, 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 reviews are conducted.