

**Z SMITH REYNOLDS FOUNDATION
CONFLICTS OF INTEREST POLICY**

Policy Statement

The Z Smith Reynolds Foundation (the “Foundation”) is committed to the integrity and fairness of all of its grantmaking and other business activities. In addition to performing their respective duties with the Foundation, the Foundation’s officers, trustees and staff (sometimes collectively referred to as “affiliates” or individually as an “affiliate”) are encouraged to participate in their communities and extend their talents and services beyond the reaches of the Foundation’s particular activities. Affiliates may be involved in organizations, causes and other endeavors which overlap with the Foundation’s affairs. As a result, from time to time, potential conflicts of interest or the appearance of such conflicts of interest will inevitably arise, and it shall be the policy of this Foundation to deal with such conflicts in an open and appropriate manner to ensure that the Foundation operates with the highest integrity and in a manner fair to all parties concerned. Further, the Foundation’s affiliates shall use their best efforts to assure that the Foundation does not engage in any self-dealing transactions with any of these persons or their families, other than those transactions specifically permitted by the Internal Revenue Code and applicable laws and in a manner in which all such transactions are disclosed to the appropriate parties.

Conflict of Interest Defined

A conflict of interest exists when any affiliate of the Foundation, or any family member of that affiliate, has any relationship, association or commitment (financial or otherwise) with any third party which could affect the impartial performance of that affiliate’s role in the Foundation’s affairs. As used in this policy, a “family member” may include a spouse, domestic

partner, parent, child or spouse of a child of a person subject to this policy. Circumstances comprising a conflict of interest shall be broadly construed, and shall include, but not be limited to, the following:

- The affiliate or family member has a financial interest of any kind, which viewed in connection with surrounding circumstances, is substantial enough that it would, or reasonably could, affect that affiliate's impartiality with respect to the transaction or grant being considered.
- The affiliate or family member currently serves as an employee of the applicable third party or otherwise receives compensation or other remuneration from such third party.
- The affiliate or family member is engaged in any business relationship with, or is in competition with, the applicable third party, which activity, when viewed in connection with the surrounding circumstances, is substantial enough that it would, or reasonably could, affect that affiliate's impartiality with respect to the transaction or grant being considered.

“Third parties” as anticipated in these examples may include actual or candidate vendors, service providers, grantees or applicants of the Foundation.

Disclosure

Affiliates of the Foundation are committed to communicating fully with the Foundation regarding any relationship or commitment that could affect the impartial fulfillment of their role in the affairs of the Foundation. Prior to any board, committee or officer action on any grant,

gift, contract, or transaction involving an actual or potential conflict of interest, the affiliate having such actual or potential conflict of interest shall disclose all material facts related to such conflict of interest at or prior to the meeting in which the consideration of such conflict of interest is applicable. Any disclosure as to a conflict of interest shall be reflected in the minutes of any meeting in which it is communicated. Whenever possible, any actual or potential conflicts of interests shall be communicated to the President and the Executive Director of the Foundation prior to the meeting at which such matter is being considered. In the event it is not entirely clear whether or not a conflict of interest exists, the affiliate who may be subject to the possible conflict shall disclose the circumstances to the President and Executive Director, who shall determine whether a conflict of interest exists subject to this policy or, at their option, shall submit the possible conflict of interest to other participants at the meeting to determine whether or not a conflict of interest exists. An affiliate who serves as a board member of a third party but receives no compensation or other remuneration for such services does not have a conflict of interest for purposes of the application of this policy. However, such board service shall be disclosed in a manner consistent with this section.

Recusal

Any affiliate who has a conflict of interest may participate in the Board's or committee's discussions of the matter for the purpose of disclosing material facts and responding to questions asked by the Board and/or committee members. Such affiliate shall not attempt to exert his or her personal influence with respect to the matter, either at or outside of the meeting. Any affiliate who has a conflict of interest with respect to a matter to be considered and voted upon may not

be counted in determining the presence of a quorum for purposes of the vote, and the affiliate having that conflict may not vote on the matter at issue. Any affiliate's inability to vote on a matter due to a conflict of interest shall be reflected in the minutes or other records of such meeting. In the event of a conflict of interest, the person having the conflict shall leave the room in which the Board is meeting and not be present during the discussions or votes that relate to the matter in question.

Self-Dealing

The Foundation shall not enter into any transactions with affiliates of the Foundation except as otherwise specifically permitted by applicable law, including any and all state and federal laws, rules and regulations applicable to private foundations, as well as the rules and regulations of the Internal Revenue Service, and subject to the approval of the Foundation's trustees. Except as otherwise permitted, the Foundation shall avoid any transaction which results in any direct or indirect economic benefit to these persons and which would constitute "self-dealing" under the Internal Revenue Code, as amended, and its rules and regulations. Examples to illustrate prohibited self-dealing transactions include the following:

- ! The sale, exchange or leasing of property;
 - ! The lending of money or extension of credit;
 - ! The furnishing of goods, services or facilities;
 - ! The payment of compensation or payment of reimbursement of expenses;
- provided, however, that persons who perform personal services on behalf of the Foundation (including Trustees and employees) may receive reasonable

compensation for the services provided;

! The transfer to, or use by or for the benefit of, the income or assets of the Foundation.

As further illustration, the Foundation will not make any grants to, or contract with, any organization at which an affiliate is employed or otherwise associated where such transaction (i) will be earmarked to directly or indirectly benefit that affiliate, (ii) affect the compensation of such affiliate, (iii) is controlled by such affiliate in a manner that could result in a direct or indirect benefit to the affiliate, (iv) results in a promotion or improved position of the affiliate with the third party organization, or (v) could otherwise reasonably qualify as a “self-dealing” transaction. The Board of Trustees or a committee appointed by the Board of Trustees may determine whether or not a proposed grant or transaction constitutes “self-dealing” in accordance with this policy. However, the discussion set forth in this Section entitled “Self-Dealing” shall not prohibit a grant to, or transaction with, any organization at which an affiliate is employed or otherwise associated from which a conflict of interest may arise but which does not constitute an act of self-dealing as contemplated in this Policy and applicable law. In addition, incidental and tenuous benefits to affiliates, such as name recognition and public acknowledgment, are permitted.

Confidentiality

Each affiliate shall exercise care not to disclose confidential information acquired in connection with their status with the Foundation or otherwise relay information the disclosure of which might be adverse to the interests of the Foundation. Furthermore, no affiliate shall

disclose or use information relating to the Foundation's business for the personal profit or advantage of that party or a family member.

Review of Policy

Each affiliate of the Foundation shall be required to review a copy of this policy and to acknowledge in writing that he/she has done so. Each affiliate shall annually complete a disclosure form identifying any relationships, positions or circumstances in which the person is involved and that he/she believes could contribute to a conflict of interest or self-dealing transaction in the manner contemplated in this policy. Such disclosures shall be made to the Executive Director of the Foundation and shall be treated as confidential as to outside third parties.

Adopted effective the 22nd day of November, 2003.