



CONFLICT OF INTEREST POLICY

The University System of Maryland Foundation, Inc. (Foundation) board of directors, officers and key employees have a fiduciary duty of loyalty to the Foundation. This fiduciary duty requires that, in dealings for the Foundation, they put the interests of the Foundation ahead of all competing interests and that they not take advantage of their position with the Foundation for personal or private gain, either for themselves, any friend or family member, or any other organization in which they may have an interest. The Foundation recognizes the importance of adhering to the highest standards of responsibility, accountability and public scrutiny.

The purpose of this Conflict of Interest Policy and Disclosure Form is to help identify situations that present potential or actual conflicts of interest and to specify procedures for reporting, reviewing and managing them. This Policy is intended to supplement, not supersede, any applicable federal and state laws governing conflicts of interest applicable to nonprofit corporations.

On February 14, 2008, the Internal Revenue Service (IRS) promulgated a revised Form 990, the annual reporting form applicable to tax-exempt entities such as the Foundation. The new form contains several questions designed to meet the transparency and accountability needs of the states, the public, and local communities served by the tax-exempt organization. This Conflict of Interest Policy and the Disclosure Form which accompanies it further serve as a mechanism for collecting the information necessary to complete the Form 990.

Guiding Principles and Procedures

a. *Disclosure.* Annually, each board member, officer and key employee shall, on the attached disclosure form, disclose interests or affiliations of such board member, officer or key employee which give rise to, or may give rise to, a conflict of interest or an appearance of a conflict of interest in the context of the board member's, officer's or employee's service on behalf of the Foundation. Such interests or affiliations shall include, but not be limited to, ownership interests, outside employment, officerships, directorships, trusteeships, advisory board memberships, committee or commission memberships, partnerships, or service arrangements which might in fact or in appearance conflict with such board member's, officer's or key employee's responsibilities to the Foundation. If there are material changes in those interests and affiliations during the year, the board member, officer or key employee shall promptly amend his or her disclosure for the purpose of disclosing those material changes.

In addition, a prospective board member, officer and key employee must complete the attached disclosure form prior to starting service in her or his role with the Foundation.

The completed disclosure forms shall be reviewed by Foundation staff and reported to the Audit Committee and Governance Committee. The Governance Committee shall make recommendations to the Executive Committee as it deems appropriate with respect to reported conflicts.

b. *Prohibition on Gifts or Other Benefits.* Board members, officers and key employees shall not accept benefits, favors, gifts, or other items of value that might affect the exercise of such person's judgment on behalf of the Foundation, might tend to impair confidence in the Foundation, or might create an appearance of impropriety. Notwithstanding the foregoing, board members may accept *de minimis* benefits having a value of less than \$100. Moreover, expenses associated with the attendance at investment conferences by board members who are on the Investment Committee or key employees who are on the investment staff which are absorbed or reimbursed by the entity putting on or otherwise sponsoring the conference shall not be considered a prohibited benefit under this section.

c. *No Financial Relationship with Foundation Unless Disclosed and Approved.* No board member, officer or key employee shall have any relationship as director, officer, partner, employee, advisory board member or consultant with or to, or have any substantial financial interest in, any investment entity in which, or with which, the Foundation has an investment without prior approval of a majority of those voting on the investment and recusal of the board member with the relationship. No board member shall have any financial interest in any transaction between the Foundation and a third party (i.e., commission, finder's fee, annual fee, etc.) unless disclosed in advance to, and approved unanimously by, the Executive Committee, except, however, that if such conflict arises in connection with an investment decision, then the conflict should be disclosed in advance to, and approved unanimously by, the Investment Committee. This prohibition covers any substantive and material financial interest. This prohibition does not apply to interests in publicly traded securities. If the Foundation has an investment relationship with an entity in which a board member has an interest at the time the board member joins the Investment Committee, the Foundation may maintain that investment relationship, *provided, however*, that in deliberations relating to that investment relationship, the board member having an interest shall absent himself or herself from the room and shall not otherwise participate in decisions relating to that investment relationship.

d. *No Use of Foundation Information.* No board member shall, for personal gain or for the gain of other organizations or individuals, with which he or she is associated, use any information not available to the public-at-large which was obtained as a result of service to the Foundation.

e. *Financial Interest in Proposed Foundation Transaction.* When a board member who is on the Investment Committee has a direct or indirect financial interest in a brokerage firm, an investment manager, a limited partnership or hedge fund entity, or other investment arrangement that is being considered by the Investment Committee for the Foundation, and that board member discloses such interest to the Investment Committee, the board member shall withdraw from the Investment Committee's deliberations on such investment or transaction (an "Affected Transaction"). When evaluating an Affected Transaction, the Investment Committee shall carefully review the circumstances of the actual or apparent conflict and evaluate alternative transactions where such an actual or apparent conflict does not exist. If the Investment Committee nevertheless decides to proceed with the Affected Transaction, the Investment Committee must affirmatively determine that the Affected Transaction is fair and reasonable and that it is in the Foundation's best interests to enter into the Affected Transaction.

f. *Fair and reasonable.* All transactions where a board member has declared or been found to have a conflict of interest, whether or not such transaction involves an investment

decision, must be fair and reasonable and in the Foundation's best interests.

g. *Scope.* In applying this Policy, the substance and not the form of the transaction shall be the paramount consideration. Interests of a board member shall include direct and indirect interests. That is, the Policy shall apply to activities performed by a board member either directly or through another person. For this purpose, the term "person" includes natural persons as well as partnerships, corporations, companies, associations, limited liability entities and other organizations.

h. *Consequences.* Timely receipt of a completed disclosure form is essential in order for the Foundation to assess and manage any risks posed by actual or potential conflicts of interest, as well as to comply with the requirements of Form 990. The Foundation will distribute a copy of this Policy and the disclosure form to directors, officers and key employees by email promptly after the end of the Foundation's fiscal year (June 30). That email will also include a link to an on-line survey tool (currently SurveyMonkey®), which an individual may use to complete the disclosure form. If a director has not returned a *completed* disclosure form by the close of business on the date that is two weeks prior to the filing date of the Foundation's Form 990 (as determined by the Chief Financial Officer), then the director's service on the Board of the Foundation would cease automatically as of that time and date.

Confidentiality

The individual disclosure forms shall be held by the Foundation as confidential to the extent permitted by law, but shall be available for review by any Foundation officer or board member.



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Managing Conflicts of Interest

A conflict of interest exists when a board member is in a situation where his or her own self-interest and the interests of the organization might be in conflict. A common example of a conflict of interest comes up when a board member runs a business that sells something the organization might need and has a chance to influence the purchasing decision.

While some conflicts of interest must be diligently avoided, others may be managed in such a way as to protect the Foundation and the board members from the appearance of impropriety. Typically, managing the conflict involves these steps.

1. DISCLOSE THE CONFLICT

- a. Each board member is asked annually to review the Conflict of Interest Policy and fill out a questionnaire disclosing actual and potential conflicts of interest.
- b. These questionnaires are reviewed by general counsel, by the audit committee and by the governance committee.
- c. If a conflict of interest is known by staff but not disclosed by a board member, staff will ask the board member to revisit the questionnaire.
- d. Examples of conflicts of interest that should be disclosed:
 - i. A board member is partner in an accounting firm that would like to do business with the foundation.
 - ii. A board member is part owner of a catering business that would like to do business with the foundation.
 - iii. A board member is also a board member of a foundation for whom the USMF provides investment management services.
 - iv. A board member is an officer, partner, employee or beneficial owner of an investment management company with whom the foundation does business.

2. RECUSAL

- a. If a board member has a conflict of interest and the board or a committee of the board is making a decision relevant to the conflict of interest, the board member should recuse him or herself from the vote and any discussion preceding the vote.
- b. Notwithstanding the foregoing, the committee may ask questions of the board member to help inform their decision prior to the conflicted board member leaving the room or dropping off the call, as the case may be.