

# CONFLICT OF INTEREST POLICY FOR THE OCEANIC PRESERVATION SOCIETY

## ARTICLE I.

### PURPOSE, SCOPE, AND APPLICATION

1. The purpose of this Conflict of Interest Policy (the "**Policy**") is to protect the interests of the Oceanic Preservation Society (the "**Non-Profit**") when it is contemplating entering into a transaction or arrangement that might benefit or appear to benefit the private interest of any present or former director, officer, employee, or volunteer of the Non-Profit, indirectly benefit a Related Party, or result in a possible Excess Benefit Transaction. The Non-Profit is organized to serve the public interest, and each director, officer, employee, and volunteer must act and use good judgment to maintain and further the public's trust and confidence in the Non-Profit.
2. This Policy establishes guidelines, procedures, and requirements for:
  - (a) Identifying a Conflict of Interest and situations that may result in an actual, potential, or perceived Conflict of Interest; and
  - (b) Appropriately managing a Conflict of Interest in accordance with legal requirements and the goals of accountability and transparency.
3. This Policy applies to all directors, officers, employees, and volunteers of the Non-Profit. All directors, officers, employees, and volunteers must familiarize themselves with and adhere to the principles and rules set out in this Policy.
4. This Policy is intended to supplement but not replace any state and federal laws governing conflicts of interest applicable to non-profit and charitable organizations.
5. Any questions about this Policy should be referred to W. Wilder Knight II, 917 445 5852, [wknight@pryorcashman.com](mailto:wknight@pryorcashman.com), who is in charge of administering, enforcing, and updating this Policy.

## ARTICLE II.

### DEFINITIONS

1. "**Conflict of Interest**" means situations where, in the judgment of the Non-Profit's board of directors:
  - (a) The outside interests or activities (such as Covered Interests) of a director, officer, employee, or volunteer interfere or compete with the Non-Profit's interests.
  - (b) The stake of a director, officer, employee, or volunteer in a transaction or arrangement is such that it reduces the likelihood that such person's influence can be exercised impartially in the best interests of the Non-Profit.
  - (c) A director, officer, employee, or volunteer has divided loyalties.
  - (d) An Excess Benefit Transaction would occur.
2. "**Covered Interest**" means when any director, officer, employee, or volunteer has directly, or indirectly through a Related Party:

- (a) An ownership or investment interest in any entity with which the Non-Profit has a transaction or arrangement.
- (b) A compensation arrangement with the Non-Profit or with any entity or individual with which the Non-Profit has a transaction or arrangement.
- (c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Non-Profit is negotiating a transaction or arrangement.
- (d) A legal commitment or financial interest, including by virtue of a board appointment, employment position, or volunteer arrangement, to act in the interests of another entity or individual.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A Covered Interest is not necessarily a Conflict of Interest. Under Article III.2, a person who has a Covered Interest may have a Conflict of Interest only if the board decides that a Conflict of Interest exists.

3. **"Excess Benefit Transaction"** means any transaction in which an economic benefit is provided by the Non-Profit, directly or indirectly, to or for the use of a disqualified person and the value of the economic benefit provided by the Non-Profit exceeds the value of the consideration (including the performance of services) received by the Non-Profit. A "disqualified person" is any person who was in a position to exercise substantial influence over the affairs of the non-profit at any time during a five-year lookback period, ending on the date of the transaction, and includes but is not limited to the Non-Profit's directors, officers, and Related Parties, as defined herein.

4. **"Interested Person"** means any director, officer, employee, or volunteer who has a direct or indirect Covered Interest.

5. **"Related Party"** means any one of the following persons or entities:

- (a) Any director, officer, employee, or volunteer of the Non-Profit or its affiliates.
- (b) Any Relative of any individual described in subsection 5(a) above.
- (c) Any entity or trust of which any individual described in subsection 5(a) or 5(b) above serves as a director, trustee, officer, employee, or volunteer.
- (d) Any entity or trust in which any individual described in subsection 5(a) or 5(b) above has a thirty-five percent (35%) or greater ownership or beneficial interest.
- (e) Any partnership or professional corporation in which any individual described in subsection 5(a) or 5(b) above has a direct or indirect ownership interest in excess of five percent (5%).
- (f) Any other entity or trust in which any individual described in subsection 5(a) or 5(b) above has a material financial interest.

6. **"Relative"** means any one of the following persons:

- (a) The spouse or domestic partner of an Interested Person.
- (b) The ancestors of an Interested Person.
- (c) The siblings or half-siblings, children (whether natural or adopted), grandchildren, and great-grandchildren of an Interested Person.
- (d) The spouse or domestic partner of any person described in subsection 6(c) above.

## ARTICLE III.

### PROCEDURES

1. Duty to Disclose. An Interested Person must disclose the existence of any actual, potential, or perceived Conflict of Interest as soon as such Interested Person identifies that there may be a Conflict of Interest, and before the Non-Profit enters into the proposed transaction or arrangement that gives rise to the Conflict of Interest.

(a) The disclosure shall be made to:

(i) the board of directors if the Interested Person is a director or officer; or

(ii) the Interested Person's manager if the Interested Person is an employee or volunteer, who shall in turn inform the board of directors of the disclosed Conflict of Interest.

(b) The Interested Person shall be given the opportunity to disclose all material facts to the board of directors concerning the proposed transaction or arrangement, including the circumstances giving rise to the Conflict of Interest.

2. Determining Whether a Conflict of Interest Exists. After disclosure of the actual, potential, or perceived Conflict of Interest, the board shall determine whether a Conflict of Interest exists by following the procedures described in this Section 2:

(a) The Interested Person shall disclose all material facts relating to the potential Conflict of Interest to the board.

(b) After any discussion between the board and the Interested Person, the Interested Person shall leave the board meeting while the determination of a Conflict of Interest is discussed and voted upon.

(c) The board members, other than the conflicted Interested Person(s), shall decide if a Conflict of Interest exists based on its review and consideration. If the remaining board determines by majority vote that no conflict exists, no further review of the transaction by the board is required if not ordinarily required in the normal course of business. The discussion and determination of the existence of a Conflict of Interest shall be documented in accordance with the procedures outlined in Article IV below.

(d) The determination that a Conflict of Interest exists shall not preclude the board (other than the conflicted Interested Person(s)) from approving the matter, but such determination shall require the board to follow the procedures outlined in Article III.3 below.

3. Procedures for Addressing the Conflict of Interest. To address a Conflict of Interest, the board shall follow the procedures described in this Section 3:

(a) An Interested Person may make a presentation at the board meeting, but after the presentation, the Interested Person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the Conflict of Interest.

(b) The Interested Person shall not attempt to intervene with or improperly influence the deliberations or voting on the matter giving rise to the Conflict of Interest.

(c) The chairperson of the board shall, if appropriate, appoint a disinterested person or committee to investigate market information and alternatives to the proposed transaction or arrangement, including obtaining comparability data when determining compensation.

(d) After exercising due diligence, the board shall determine whether the Non-Profit 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.

(e) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a Conflict of Interest, the board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is: (i) in the Non-Profit's best interests; (ii) for its own benefit; and (iii) fair and reasonable.

(f) In conformity with the above determinations, the board shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflict of Interest Policy.

(a) If the board has reasonable cause to believe an Interested Person has failed to disclose an actual, potential, or perceived Conflict of Interest, it shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose.

(b) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the board determines the Interested Person has failed to disclose an actual, potential, or perceived Conflict of Interest, it shall take appropriate disciplinary and corrective action, up to and including termination of employment or volunteering, or removal from the board.

(c) Each director, officer, employee, and volunteer is responsible for reporting to his or her manager or to the board any suspected failure to disclose by any Interested Person, regardless of position, in accordance with the Non-Profit's Whistleblower Policy.

(d) Conduct that violates this Policy is always considered outside the scope of employment of any employee acting on behalf of the Non-Profit.

5. Confidentiality.

(a) The Non-Profit shall maintain the confidentiality of any disclosures made in connection with this Policy and limit access to the information in accordance with the Non-Profit's privacy policy.

(b) Each director, officer, employee, and volunteer shall exercise care not to use, publish, or disclose confidential information acquired in connection with disclosures of actual, potential, or perceived Conflicts of Interest during or subsequent to his or her employment, participation as a volunteer, or participation on the board of directors.

**ARTICLE IV.**

**RECORDS OF PROCEEDINGS**

1. The minutes of the meeting(s) of the board shall contain:

(a) (i) The names of the persons who disclosed or otherwise were found to have an actual, potential, or perceived Conflict of Interest; (ii) the nature of the disclosed interest; (iii) any action taken to determine whether a Conflict of Interest was present; (iv) whether the Interested Person was present during the determination; and (v) the board's decision as to whether a Conflict of Interest in fact existed.

(b) (i) The names of the persons who were present for discussions by the board of the proposed transaction or arrangement; (ii) the votes relating to the transaction or arrangement; (iii) the content of the discussion, including any alternatives to the proposed transaction or arrangement; and (iv) a record of any votes taken in connection with the proceedings.

2. The board minutes shall be approved as reasonable, accurate, and complete before the later of:

- (a) The next board meeting.
- (b) Sixty (60) days after the final actions of the board are taken.

**ARTICLE V.**

**COMPENSATION**

1. A voting member of the board who receives compensation, directly or indirectly, from the Non-Profit for services is precluded from voting on matters pertaining to that member's compensation.

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

3. No voting member of the board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Non-Profit, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

## **ARTICLE VI.**

### **ANNUAL STATEMENTS AND DISCLOSURES**

1. Each director, officer, employee, and volunteer shall annually disclose all Conflicts of Interest and previously unreported Conflicts of Interest in writing on the Non-Profit's disclosure form in accordance with this Policy and sign a statement that affirms that such person:

(a) Has received a copy of this Policy;

(b) Has read and understands this Policy;

(c) Has agreed to comply with this Policy;

(d) Has no Conflict of Interest to report or is reporting current and any previously unreported Conflicts of Interest; and

(e) Understands that the Non-Profit is charitable and, in order to maintain its federal tax exemption, must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

## **ARTICLE VII.**

### **PERIODIC REVIEWS**

1. To ensure the Non-Profit operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its reputation or 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: (i) reasonable; (ii) based on competent survey information; and (iii) the result of arm's length bargaining; and

(b) Whether partnerships, joint ventures, and arrangements with management organizations: (i) conform to the Non-Profit's written policies; (ii) are properly recorded; (iii) reflect reasonable investment or payments for goods and services; (iv) further charitable purposes; and (v) do not result in inurement, impermissible private benefit, or an Excess Benefit Transaction.

2. The Non-Profit expressly reserves the right to change, modify, or delete the provisions of this Policy without notice.

## ARTICLE VIII.

### USE OF OUTSIDE EXPERTS

When conducting a Conflict of Interest determination as provided for in Article III or a periodic review as provided for in Article VII, the Non-Profit may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its fiduciary duties or responsibilities when considering a transaction or arrangement with an Interested Person or Related Party, or for ensuring periodic reviews are conducted.

## ARTICLE IX

### ACKNOWLEDGMENT

I, \_\_\_\_\_ (Non-Profit Individual name), acknowledge that on \_\_\_\_\_ (date), I received a copy of Oceanic Preservation Society's (the "**Non-Profit**") Conflict of Interest Policy (this "**Policy**") and that I read it, understood it, and agree to comply with it. I understand that the Non-Profit has the maximum discretion permitted by law to interpret, administer, change, modify, or delete this Policy at any time with or without notice. No statement or representation by a supervisor or manager or any other employee, whether oral or written, can supplement or modify this Policy. Changes can be made only if approved in writing by the Chairman of the Board of Directors of the Non-Profit. I also understand that any delay or failure by the Non-Profit to enforce any policy or rule will not constitute a waiver of the Non-Profit's right to do so in the future. I understand that neither this policy nor any other communication by management representatives or any other employee, whether oral or written, is intended in any way to create a contract of employment.

**For employees only:** I understand that, unless I have a written employment agreement signed by an authorized representative of the Non-Profit, I am employed at will and this Policy does not modify my at-will employment status. If I have a written employment agreement signed by an authorized representative of the Non-Profit and this Policy conflicts with the terms of my employment agreement, I understand that the terms of my employment agreement will control.

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