



Blandin Foundation Conflict of Interest Policy

Approved by Board of Trustees-June 2012

Preface

For Trustees and Officers:

The Conflicts Policy is of critical importance for Board Trustees under both Minnesota law and the prohibition against self-dealing on the part of “disqualified persons” which includes all Trustees and Officers pursuant to the Internal Revenue Code. The Conflict of Interest Policy is designed to primarily address the requirements under Minnesota law and can assist with the review of transactions for self-dealing. However, it exceeds the requirements of the state and federal law in its non-financial disclosure rules. It also keeps a clear record for Court review and public transparency.

State Law: Because the Foundation is a Minnesota nonprofit corporation it is governed by the Minnesota Nonprofit Corporation Act, Minnesota Statutes, Chapter 317A. Minnesota law provides that a transaction between a corporation and one or more of its directors, or between a corporation and an organization in or of which one or more of its directors are directors, officers, or legal representatives, or have a material financial interest is not void or voidable if the contract is fair and reasonable, the material facts are all disclosed to directors of the corporation, and a majority of the disinterested directors approve it. Minn. Stat. § 317A.255 (2002). The Policy is designed to fall within the protections afforded the corporation under the statute.

The Foundation’s policy provides that an actual or potential conflict of interest occurs when an employee is in a position to influence a decision that may result in a personal gain for that employee or for a relative as a result of Foundation’s business dealings. The policy addresses these conflicts in a manner consistent with the provisions of Minn. Stat. § 317A.255.

Federal Law: Section 4941 of the Internal Revenue Code imposes a tax on each act of self-dealing between a disqualified person and a private foundation. The Conflict of Interest Policy defines “Interested Persons” so as to determine who is required to comply with the disclosure requirements under Minnesota law. The definition of interested persons is similar to that of “disqualified persons” with respect to matters of self-dealing under the Internal Revenue Code. However, the term “disqualified persons” include additional individuals such as substantial

contributors to the Foundation, certain individuals who may own 20% or more of the total combined voting power, profits and interests, in corporations that are substantial contributors to the foundation, foundation managers (defined as an officer, director, or trustee of the foundation or any individual having similar powers or responsibilities); members of the family (defined as spouse, ancestors, children, grandchildren, great-grandchildren, and spouses of children, grandchildren or great-grandchildren) of any of the above; and certain corporations, partnerships, trusts or estates in which persons above own more than 35% of the total combined voting power, profits and interests, or beneficial interests; and government officials.

Acts of self-dealing are specifically set forth in Section 4941 of the Code. Any transaction between a private foundation and a disqualified person should be reviewed to determine whether there is an act of self-dealing.

The Conflicts of Interest Policy is in addition to the analysis required for self-dealing. A transaction that is an act of self-dealing is not permitted and therefore would require no further discussion and any self-dealing questions need review of counsel. However, if no self-dealing exists, the board should proceed with a review of the transaction in light of the Conflict of Interest Policy.

For Staff:

The Foundation's Conflict of Interest Policy requires the disclosure of staff financial and non-financial interests. A financial interest would be one where an interested person has an ownership or investment interest in an entity that the Foundation has a possible transaction or arrangement. A non-financial interest must also be disclosed and, for example, would include individuals who would hold board positions within other organizations that may be involved in a transaction with the Foundation.

Once all disclosures have been made, the Policy sets forth the steps by which the Board determines whether a conflict exists, and implements the procedures to address any conflicts, financial or nonfinancial.

The Policy covers interest in vendors, grantees, potential grantees and other transactions. The Foundation policy is that all staff disclose any financial or non-financial interest in foundation vendors, grantees, potential grantees of which you are aware. The Policy carefully defines "financial interest" to extend to ownership in compensation arrangement with you and/or a family member and

a vendor, grantee or other company or person engaged in a transaction with the Foundation.

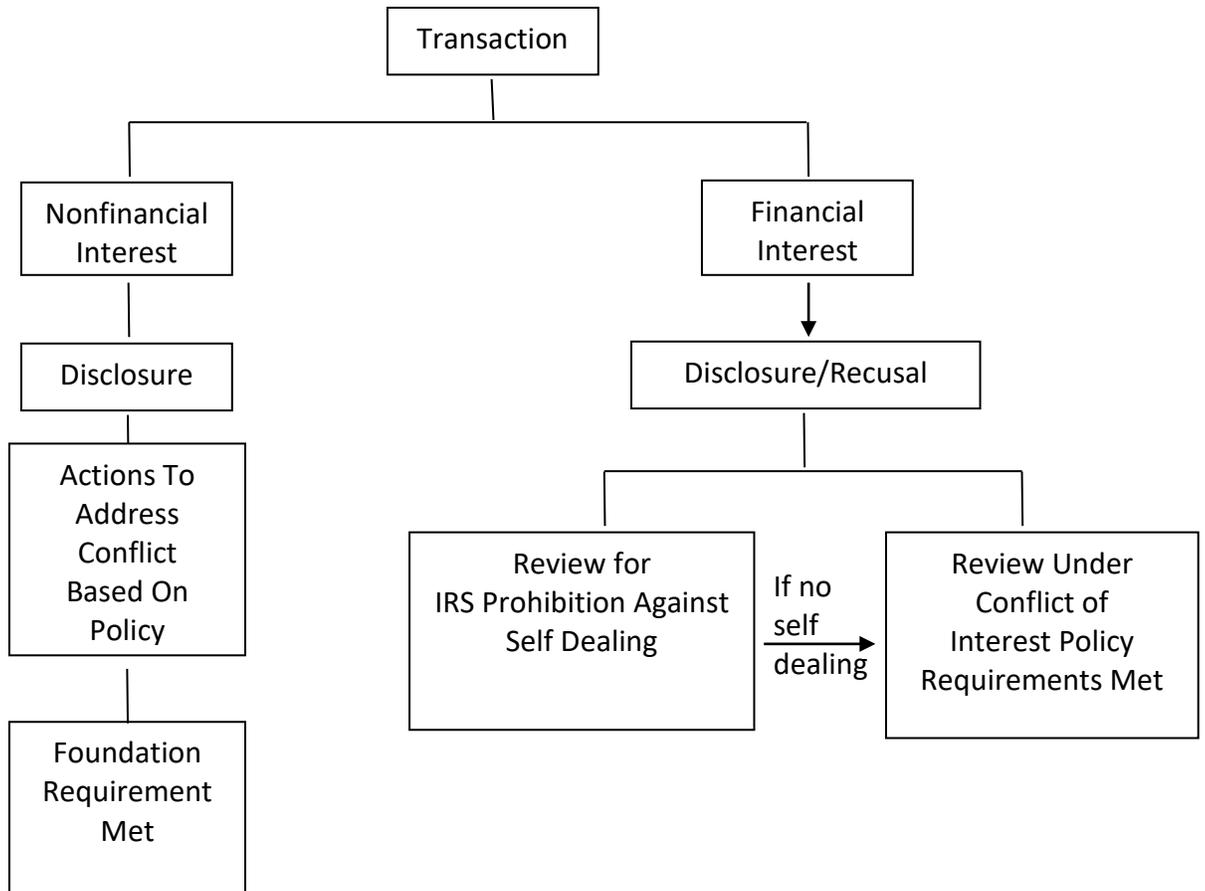
A non-financial interest means you have a relationship as an employee, officer and the like, with a vendor or grantee. This may be a rare situation.

In all cases, disclosure is the obligation of the staff member. Foundation management will then take the required steps to avoid any potential conflict caused by the disclosed financial or non-financial interest of the staff member.

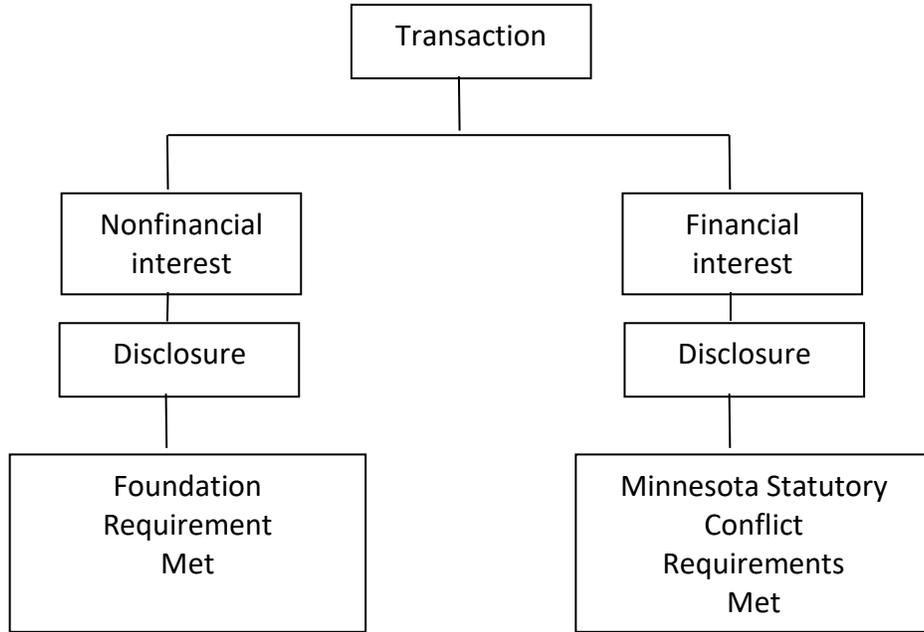
The Foundation whistleblower policy in its employee policies would cover the process for any employee who believes there has been an undisclosed conflict by anyone associated with the Foundation.

If you have any questions, please contact the Director of Administrative Services or the Director of Finance.

Trustee & Officers



Staff



**BLANDIN FOUNDATION
CONFLICT OF INTEREST POLICY**

A. Policy

As a nonprofit corporation created under the laws of the State of Minnesota and exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, The Blandin Foundation ("the Foundation") wishes to avoid any conflict of interest or appearance of a conflict of interest between the activities of the Foundation and the personal financial interests of any member of the Foundation's Board of Trustees ("Board"), committees which exercise Board-delegated duties, advisory committees, members of the Foundation's management, who are herein referred to as "Officers," or any employee who has the ability to influence the actions and decisions of the Foundation, who are herein referred to as "Staff Members." This policy will set forth the Foundation's policy on conflicts of interest in detail, as well as address procedural and record-keeping matters to document compliance with the policy.

B. Purpose

The purpose of this policy is to protect the Foundation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer, Director, Trustee or Staff Member of the Foundation or any "Interested Person" as defined below. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

C. Definitions

1. Interested Person

Any Trustee, Director, Officer, member of a board committee, member of an advisory committee, individual with Board-delegated powers, or any employee who may influence the actions of the Board, who has a direct or indirect financial interest, as defined below, is an Interested Person.

2. Possible Conflict of Interest

a Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family relationships (including a spouse,

domestic partner, parent, child or spouse of child, brother or sister, or spouse of brother or sister):

1. an ownership or investment interest in any entity with which the Foundation has a transaction or arrangement, or
2. a compensation arrangement with the Foundation or with any entity or individual with which the Foundation has a transaction or arrangement, or
3. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Foundation is negotiating a transaction or arrangement.
4. Transaction may include receipt of or consideration to receive, a grant from the Foundation.

Compensation includes direct and indirect remuneration as well as gifts, entertainment, gratuities or favors which are substantial in nature. This does not include items of nominal or minor value or social entertainment (limited in value to no more than \$25, such as a book) unrelated to any particular Foundation transaction or activity.

b Non-Financial Interests

A person may have a non-financial interest when he or she is an officer, director, employee, trustee or equivalent position with, or substantial donor to, another nonprofit corporation, foundation or organization which is involved in any transaction, financial or otherwise, with the Foundation.

c Outside Consulting/Honoraria

The Blandin Foundation does not allow employees to accept outside consulting opportunities or honoraria without consent from the President/CEO of the Foundation. The President/CEO shall obtain consent to outside consulting opportunities or honoraria from the Board Chair. A Trustee or advisory committee member must disclose to the Board any honoraria or consulting fees which may present a conflict of interest in accordance with this Conflict of Interest Policy.

D. Duty to Disclose

In connection with any actual or possible conflicts of interest, an Interested Person must disclose the existence and nature of such person's financial or non-financial interest and must be given the opportunity to disclose all material facts to the Trustees and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

E. Determining Whether a Conflict of Interest Exists

After disclosure of the financial or non-financial interest and all material facts, and after discussion with the Interested Person, such person shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon.

The remaining Board or committee members shall decide by majority vote if a conflict of interest exists.

F. Procedures for Addressing the Conflict of Interest

- 1. Financial Conflicts.** Where a financial Conflict exists, the Board shall exclude such person disclosing a financial interest from discussion on the issue involving that Conflict and such interested parties shall not be counted in determining the presence of a quorum. To approve any transaction involving a conflict, the Board shall, after a disclosure at the Board meeting by the interested person, determine by majority vote (not counting any vote an interested party might otherwise have), that the contract, transaction or relationship involving the Conflict is in the Foundation's best interests and is fair and reasonable.
- 2. Non-financial Conflicts.** Where a non-financial conflict exists, the person disclosing the Conflict shall abstain (shall not vote) but may remain in the room during discussion, deliberation on the merits of the proposal and the vote. In both cases, the minutes of meetings shall indicate the individual disclosing any Conflicts and the nature of such Conflicts, the persons present, the discussion and basis for the decision made, and a record of the vote taken.
- 3. Board-delegated Transactions.** Where a financial or non-financial conflict exists in a matter for which transaction authority has been delegated by the Board to Foundation Staff, the Interested Person disclosing the information shall not participate in the transaction or staff decisions. In such matters, the Interested Person's disclosure will be made to the Foundation's President. In such matters where the President has a financial or non-financial conflict of interest, the disclosure will be made to the Board Chair and the Board Chair will assume the

discretion typically held by the President in approving small grants of \$50,000 or less.

G. Violations of the Conflicts of Interest Policy

1. If the Board or committee has reasonable cause to believe that an interest person has failed to disclose actual or possible conflicts of interest, it shall inform such Interested Person of the basis for such belief and afford such Interested Person an opportunity to explain the alleged failure to disclose.
2. If, after hearing the response of such Interested Person and making such further investigation as may be warranted in the circumstances, the Board or committee determines that such Interested Person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

H. Records of Proceedings

The minutes of the Board and all committees with Board-delegated powers shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial or non-financial interest in connection with an actual or possible conflict of interest, the nature of the financial or non-financial interest, any action taken to determine whether a conflict of interest was present, and the Board's or committee's decision as to whether a conflict of interest in fact existed.
2. The names of the persons who were present for discussions and 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.

I. Compensation

1. A voting member of the Board who receives compensation, directly or indirectly, from the Foundation or an affiliate for services is precluded from voting on matters pertaining to that member's compensation with the exception of any resolution setting annual Board fees.
2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the

Foundation for services is precluded from voting on matters pertaining to that member's compensation.

J. Annual Statements

Each Trustee, Director, Officer and member of a committee with Board-delegated powers and Staff Member shall annually sign a statement which affirms that such person

1. has received a copy of this Conflicts of Interest Policy;
2. has read and understands the Policy;
3. has agreed to comply with the Policy; and
4. understands that the Foundation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

K. Periodic Reviews

To ensure that the Foundation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable and are the results of arm's-length bargaining.
2. Whether any transactions during the period under review resulted in inurement or impermissible private benefit.

L. Use of Outside Experts

In conducting the periodic reviews provided for in paragraph K, 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 periodic reviews are conducted.