



Fonkoze USA
fondasyon kole zepòl

CONFLICT OF INTEREST POLICY
Adopted on October 3, 2015

ARTICLE I
PURPOSE

The purpose of this conflict of interest policy (this “Policy”) is to protect the interest of Fonkoze USA, Inc. (“Fonkoze USA”) (1) when it is contemplating entering into a transaction or arrangement with an entity or individual that might (i) benefit the private interest of an Interested Person or (ii) result in a possible Excess Benefit Transaction; and (2) when an Interested Person’s outside activities, employment or investments might conflict or compete with the interests of Fonkoze.

In general, a conflict of interest arises when an Interested Person’s personal, professional, or financial interests compete or conflict with his or her fiduciary or other responsibilities to Fonkoze USA (a potential or actual “Conflict Of Interest”). The duty of loyalty requires directors and officers to serve the best interests of the not-for-profit corporation and prohibits any such individual from pursuing his or her own interest or that of a third person or entity instead of that of Fonkoze USA. This Policy is intended to supplement but not replace any applicable federal or state laws governing conflicts of interest applicable to Fonkoze USA.

The presence of a Conflict Of Interest under this Policy should be dealt with pursuant to the terms hereof. The presence of a potential Conflict Of Interest does not necessarily mean that the relationship, transaction or arrangement is prohibited. Rather, a potential Conflict Of Interest may, in most instances, be waived with full disclosure to the Decision Making Authority. Such waiver must be based on a baseline determination that: (1) no actual Conflict Of Interest exists; or (2) a potential or actual Conflict Of Interest exists but the transaction or activity is, or can be restructured in a manner so as to be, fair to Fonkoze USA and does not result in an Excess Benefit Transaction; or (3) a potential or actual Conflict Of Interest exists but effective protective measures and policies can be put in place, and monitored as necessary, to ensure that a relationship creating potential competing interests does not have an adverse affect on Fonkoze USA’s interests.

Any investment by an Interested Person in an entity that is so closely associated with the activities of Fonkoze USA that the investment could be deemed to create competition or adverse conflict between the Interested Person and Fonkoze USA shall be prohibited. However, because our Interested Persons, including many of our directors, share in Fonkoze USA’s goal to alleviate poverty through micro-finance, one or more of our directors, officers, and Honorary Board members, from time to time may invest in micro-finance entities to fulfill personal social responsibility goals. Therefore, this policy does not categorically prohibit (i) investment activity



by an Interested Person in a micro-finance entity in which Fonkoze USA currently has, or is known to be considering, acquisition of, an ownership interest, including without limitation Fondasyon Kole Zepòl and Sèvis Finansye Fonkoze S.A.; (ii) investment activity in a micro-finance transaction of which the director learned as a member of Fonkoze USA's Board of Directors or in a related capacity; or (iii) the divestiture of an investment held in a non-publicly traded micro-finance entity in which Fonkoze USA also holds an investment (each, a "Investment Transaction"), including without limitation Fondasyon Kole Zepòl and Sèvis Finansye Fonkoze S.A. An Investment Transaction requires full disclosure to the Decision Making Authority for its consideration and action.

In addition, the employment or retention of services of an Interested Person by an entity or individual that is so closely associated with the activities of Fonkoze USA that such employment or services could be deemed to create competition or conflict between the Interested Person and Fonkoze USA or that could be adverse to the interests of Fonkoze USA ("Employment Situation") shall be disclosed to the Decision Making Authority for review and action.

ARTICLE II DEFINITIONS

1. Decision Making Authority: Any potential or actual Conflict of Interest shall be reviewed by the Audit Committee.
2. Director: A member of Fonkoze's Board of Directors.
3. Excess Benefit Transaction: The term "excess benefit transaction" is defined as any transaction treated as an excess benefit transaction under Section 4958 of the Internal Revenue Code. Section 4958 generally imposes an excise tax on transactions between a tax-exempt organization and a person in a position of influence over the organization, if the transaction does not provide fair value or consideration to the organization. In an excess benefit transaction, the general rule for the valuation of property, including the right to use property, is fair market value.
4. Executive Leadership Team: The chairperson, the executive director and any other non-director Officers elected by the Board of Directors.
5. Honorary Board: By invitation of the Board of Directors, these individuals are invited to attend Board meetings as non-voting members. According to the policies of Fonkoze USA, Honorary Board members may not serve as Officers.
6. Interested Person: Any member of the Board of Directors, any Officer, any Honorary Board member, or other individual with final decision making authority is an interested person if:



- A. the individual has a significant financial interest in the transaction, arrangement or organization, such as a potential or actual ownership in or Investment Transaction with, or compensation arrangement (including direct and indirect remuneration as well as gifts or favors that are substantial in nature) with, any entity or individual with which Fonkoze USA is negotiating the transaction or arrangement or has an established relationship;
 - B. with respect to the award of a grant, a recoverable grant, a loan, technical assistance or a contractual benefit arrangement, including any joint venture arrangement, the individual has a personal or professional interest as a director (paid or unpaid), Officer, employee or substantial contributor (of more than 5% of an organization's support in any year) in the entity that is being considered for the award of a grant, a recoverable grant, a loan, technical assistance or a contractual benefit arrangement, including any joint venture arrangement; or
 - C. the individual is employed by or has a relationship with an entity or individual and, as a result of such relationship, the individual's interests may conflict with or be adverse to those of Fonkoze USA.
7. Officer: An officer of Fonkoze USA appointed by the Board of Directors.

ARTICLE III PROCEDURES

1. Duty to Disclose

In connection with any actual or possible Conflict Of Interest arising from an existing or potential relationship, transaction or arrangement, including an Interested Person's Investment Transaction or Employment Situation, an Interested Person must disclose the existence of his or her financial or personal/professional interest and all material facts to the Decision Making Authority.

Prior to the initial election of any Director and on an annual basis thereafter, each Director shall receive and be required to complete the form attached hereto as Exhibit A (as such form shall be modified by the Audit Committee from time to time), affirming that such person has received a copy of this Policy, has read and understands this Policy, has disclosed all pertinent information that, by definition, could cause a Conflict of Interest and has agreed to comply with the Policy. On an annual basis, each Officer shall receive and be required to complete the form attached hereto as Exhibit A (as such form shall be modified by the Audit Committee from time to time), affirming that such person has received a copy of this Policy, has read and understands this Policy, has disclosed all pertinent information that, by definition, could cause a Conflict of Interest and has agreed to comply with the Policy. In addition, each such person shall annually sign a statement affirming that such person understands that Fonkoze USA 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. Honorary Board members will receive a letter from Fonkoze USA enclosing a copy of this Policy. Each Honorary Board member will be required to acknowledge, agree to and return the Policy.

In addition, if additional circumstances should arise that the Interested Person has reason to believe may have caused a Conflict Of Interest, including an Investment Transaction or Employment Situation, he or she shall be obligated to supplement such annual questionnaire with additional disclosures by directing a letter to the Decision Making Authority containing the information necessary to identify the actual or possible Conflict of Interest.

2. Procedures for Addressing the Conflict of Interest

Upon presentation of a potential or actual Conflict Of Interest to the Decision Making Authority:

- A. The Interested Person shall recuse himself or herself from the discussion surrounding the proposed transaction or arrangement and the Decision Making Authority shall note such recusal and proceed to determine whether there exists an actual conflict of interest and whether it should be waived (with or without restructuring or required protective measures). The Interested Person shall not improperly influence (or attempt to improperly influence) the deliberation or voting on the proposed transaction or arrangement.
- B. If the Interested Person desires to participate in the matter after disclosure of the financial or personal/professional interest and all material facts, or if the Decision Making Authority has questions for the Interested Person, then the Interested Person may make a presentation to or respond to questions on the transaction or arrangement at issue, but after such presentation or response to questions, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the potential conflict of interest. If appropriate, the Decision Making Authority may appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

3. Determination

After exercising due diligence, the Decision Making Authority shall determine, by a majority vote of disinterested members of the Decision Making Authority, as the case may be, that:

- A. no actual Conflict Of Interest exists and the relationship, transaction or arrangement shall proceed;
- B. a potential or actual Conflict Of Interest exists and the proposed relationship, transaction or arrangement shall not be permitted or, in the case of an



Employment Situation, either the Employment Situation or the Interested Person's fiduciary or other relationship with Fonkoze USA shall end, as appropriate;

- C. a potential or actual Conflict Of Interest exists but is waived based on a determination that the transaction or arrangement is in the best interest of Fonkoze USA (including an assessment of whether Fonkoze USA could 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) and a determination whether the transaction or arrangement is for the benefit of and is fair and reasonable to Fonkoze USA; or
- D. a potential or actual Conflict Of Interest exists but will be waived based upon a determination that effective protective measures and procedures, as approved by the Decision Making Authority, can and will be implemented, and monitored as necessary, to ensure that no adverse effect on the interests of Fonkoze USA arise in connection with such relationship, transaction or arrangement. For example, in the case of an Investment Transaction, a Decision Making Authority may seek to obtain a subordination agreement from an Interested Person as a condition to the Investment Transaction proceeding or, in the case of an Employment Situation, the Decision Making Authority may seek to exclude the Interested Person from certain projects or information as a condition to the Interested Person's retaining his or her relationship with Fonkoze USA.

The Decision Making Authority will engage legal counsel in fulfilling its role under this Conflict of Interest Policy.

4. Violations of the Conflict of Interest Policy

If any Decision Making Authority has reasonable cause to believe that an Interested Person has failed to disclose an actual or possible Conflict Of Interest, including an Investment Transaction or Employment Situation, 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. If, after hearing the response of the Interested Person and making such further investigation as may be warranted under the circumstances, the Decision Making Authority determines that the Interested Person has in fact failed to disclose an actual or possible Conflict Of Interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV CONFIDENTIAL INFORMATION

The practices, procedures and methodologies of Fonkoze USA and the Board of Directors are confidential in nature and each member of the Board of Directors, Honorary Board, and the Executive Leadership Team, as the case may be, shall, during the term of his or her service on the Board of Directors, Honorary Board, or as Officers, as the case may be, except as required



an/or authorized in writing by Fonkoze USA or the Board of Directors, have a duty to preserve such confidentiality by refraining from the use, publication, reproduction, disclosure, appropriation, or communication of any confidential information which the member of the Board of Directors, Honorary Board, or the Executive Leadership Team, as the case may be, may have acquired during or by reason of that member's service or association with Fonkoze USA. Each member of the Board of Directors, Honorary Board, and the Executive Leadership Team shall be required to acknowledge this duty in the form of a confidentiality agreement as required by Fonkoze USA.

ARTICLE V RECORDS OF PROCEEDINGS

The minutes of the Decision Making Authority shall contain:

1. The name of any person who disclosed an actual or potential Conflict Of Interest or otherwise was found to be an Interested Person;
2. The nature of the financial or other interest;
3. That such Interested Person recuses himself or herself from the matter;
4. Any action taken to determine whether a Conflict Of Interest was present;
5. The decision as to whether to approve the relationship, transaction or arrangement;
6. Any protective measures and monitoring plan to be implemented as a condition to approving the relationship, transaction or arrangement; and
7. The names of the persons who were present for discussions and votes relating to the relationship, transaction or arrangement, the content of the discussion, including any alternatives to the proposed relationship, transaction or arrangement, and a record of any votes taken in connection therewith.

ARTICLE VI COMPENSATION

1. A voting member of the Board of Directors who receives compensation, directly or indirectly, from Fonkoze USA for services is precluded from voting on matters pertaining to that member's compensation. Each member of the Executive Leadership Team who receives compensation, directly or indirectly, from Fonkoze USA 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 Fonkoze USA for services is precluded from voting on matters pertaining to that member's compensation.

3. No voting member of the Board of Directors or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Fonkoze USA, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ARTICLE VII PERIODIC REVIEWS

To ensure that Fonkoze USA 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, the Audit Committee shall conduct periodic reviews, which shall, at a minimum, include (i) whether executive level compensation arrangements and benefits are reasonable, based on competent survey information, and are the result of arm's-length bargaining, (ii) whether the methods for and results in ensuring staff compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining, (iii) whether partnerships, joint ventures and arrangements with management organizations conform to Fonkoze USA's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an Excess Benefit Transaction and (iv) whether all required filings have been made in order to comply with the charitable solicitation registration rules and regulations of the District of Columbia and the various states where such registration is required and with any other applicable state or federal laws, as required by Fonkoze USA's Financial Policies.

ARTICLE VIII USE OF OUTSIDE EXPERTS

In conducting the periodic reviews pursuant to Article VII hereof, Fonkoze USA may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Audit Committee of its responsibility for ensuring that periodic reviews are conducted.

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Exhibit A

Date:

To: Board of Directors and Officers, Fonkoze USA

From: Audit Committee, Fonkoze USA

RE: **Annual Conflicts Of Interest Disclosure Form**

PROMPT ACTION REQUIRED

The Fonkoze USA Conflicts of Interest Policy requires that all Directors and Officers provide prompt disclosure of all potential and actual conflicts of interest at the time the individual becomes aware of such potential or actual conflict. A copy of the Conflicts of Interest Policy is available upon request from Leigh Carter, Executive Director.

In furtherance of the Conflicts of Interest Policy, please complete and sign the attached Annual Conflicts of Interest Disclosure Form as an affirmation of the existence or nonexistence of any potential conflicts of interest. If you have any doubt as to whether you have a particular situation creates a potential conflict of interest, you should provide full disclosure.

In general, a potential conflict of interest arises when your personal, professional or financial interests are at odds with your fiduciary responsibilities to Fonkoze USA as a Director or Officer. The duty of loyalty requires that Directors and Officers to serve the best interests of the not-for-profit corporation and prohibits any such individual from pursuing his or her own interest or that of a third person instead of that of Fonkoze USA.

The following definitions are provided to assist you with filling out the Disclosure Form:

Interested Person: Any member of the Board of Directors, any member of the Honorary Board, any Officer, or other individual with final decision making authority is an **Interested Person** if:

(a) the individual has a significant **financial interest** in the transaction or arrangement, such as a potential or actual ownership or investment interest in, or compensation arrangement (including direct and indirect remuneration as well as gifts or favors that are substantial in nature) with, any entity or individual with which Fonkoze USA is negotiating the transaction or arrangement or in which Fonkoze USA has an established relationship or financial interest;

or

(b) with respect to the award of a grant, a recoverable grant, a loan, technical assistance or a contractual benefit arrangement, including any joint venture



arrangement, if he or she has an personal or professional interest as a director (paid or unpaid), officer, employee or substantial contributor (of more than 5% of an organization's support in any year) in the entity that is being considered for the award of a grant, a recoverable grant, a loan, technical assistance or a contractual benefit arrangement, including any joint venture arrangement;

or

(c) the individual is employed by, has a relationship with an entity or individual, or has an actual or potential investment in an entity and as a result of such relationship or investment, the Interested Person's interests may conflict with or be adverse to Fonkoze USA.

Related Party: A family member (including all persons related by blood or marriage), an estate or trust of which you or a family member is a beneficiary, personal representative, or Director, a company of which you or a family member is an officer, director or employee, or in which you or a family member have ownership or other proprietary interests, and a partner or employee of a law firm, accounting firm or other professional entity of which you or a family member is a partner or employee.

Financial Interest: Any stock, bond, debt, partnership interest, option, below market interest rate loan, equity investment, or intellectual property right.

If additional circumstances should arise that the Director, Honorary Board member, or Officer has reason to believe may have caused a conflict of interest, he or she is obligated to supplement such annual Disclosure Form with additional disclosures by directing a letter to the Chair of the Audit Committee containing the information necessary to identify the actual or possible conflict, with a copy to:

Leigh Carter, Executive Director
Fonkoze USA
1718 Connecticut Avenue, NW, Suite 201
Washington, DC 20009



**Fonkoze USA
Annual Conflicts Of Interest Disclosure Form**

Name: _____

Date: _____

1. I hold (or a Related Party holds), directly or indirectly, a position of ownership or other Financial Interest in any business, corporation, partnership, proprietorship or other entity that carries out any business activity(ies) with Fonkoze USA: (yes)____ (no) _____

If yes, please provide details:

2. I provide (or a Related Party provides) directive, managerial, or consultative services to any business, corporation, partnership, proprietorship or other entity that carries out any business activity(ies) with Fonkoze USA or is seeking to do business with Fonkoze USA: (yes)____ (no) _____

If yes, please provide details:

3. I am (or a Related Party is) an employee of any business, corporation, partnership, proprietorship or other entity that carries out any business activities with Fonkoze USA or is seeking to do business with Fonkoze USA: (yes)____ (no) _____



If yes, please provide details:

4. I am (or a Related Party is) an employee of or provide services to any business, corporation, partnership, proprietorship or other entity that is so closely associated with the activities of Fonkoze USA that such employment or services could be deemed to create, or give the appearance of creating, competition or conflict between the me and Fonkoze or that could be adverse to the interests of Fonkoze USA: (yes)____ (no) ____

If yes, please provide details:

5. I have (or a Related Party has) accepted significant gifts, honoraria, services or benefits (totaling more than \$100) during the past year from any business, corporation, partnership, proprietorship or other entity that carries out any business activity(ies) with Fonkoze USA or is seeking to do business with Fonkoze USA: (yes)____ (no) ____

If yes, please provide details:



6. I am (or a Related Party is) a member of the governing board of or an officer, or employee of, or a substantial contributor to, an organization that is or has considered applying for financial or technical assistance from Fonkoze USA: (yes)____ (no) _____

If yes, please provide details:

Please provide any additional information on any other potential conflicts of interest or related party transactions of which you are aware:

In signing this form, I further affirm that I am not aware of, or party to, any potential or actual Excess Benefit Transaction. The term “**Excess Benefit Transaction**” is defined as any transaction treated as an excess benefit transaction under Section 4958 of the Internal Revenue Code. Section 4958 generally imposes an excise tax on transactions between a tax-exempt organization and a person in a position of influence over the organization, if the transaction does not provide fair value to the organization.

In addition, in signing this form I affirm that I understand Fonkoze USA is a charitable organization and that to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

If additional circumstances should arise that I have reason to believe may have caused or may result in a conflict of interest, I understand that I am obligated to supplement this Annual Conflict of Interest Disclosure Form with additional disclosures by directing a letter to the Chair of the Audit Committee containing the information necessary to identify the actual or possible conflict of interest, with a copy to the Executive Director.



In submitting this Form, I affirm that the above information is true and correct to the best of my knowledge, that I have read Fonkoze USA's Conflict of Interest Policy, and that I will promptly report any circumstances that require or may require a change in my responses above.

Name (type or print) _____

Signature _____ Date _____

Please return completed form to Leigh Carter at the _____ Board Meeting or, if not attending, please promptly mail the completed form to:

Leigh Carter, Executive Director
Fonkoze USA
50 F Street, NW Suite 810
Washington, DC 20001