

OREGON WAVE ENERGY TRUST

CONFLICT OF INTEREST POLICY

Article I Purpose

The purpose of this conflict of interest policy is to protect the interests of the OREGON WAVE ENERGY TRUST (“OWET”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director or officer of OWET or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II Definitions

1. **Interested Persons.** Any director, officer, or member of a committee with director-delegated powers who has a direct or indirect financial interest, or a relationship with a grantee as defined below, is an interested person.
2. **Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which OWET has a transaction or arrangement,
 - b. A compensation arrangement with OWET or with any entity or individual with which OWET has a transaction or arrangement, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which OWET is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the directors or appropriate committee decides that a conflict of interest exists.

3. **Relationship with a Grantee.** A person has a relationship with a grantee if the person, or a member of the person’s family, serves on a board or a committee of a potential or existing grantee of OWET. Although the person has no financial interest in the potential or existing grantee, such service might nevertheless be perceived as a conflict of interest and will be treated in a similar manner as financial interests for the purposes of this policy in order to enhance the transparency of OWET’s grant making procedures.

Article III Procedures

1. **Duty to Disclose.** In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest or a relationship with a grantee and be given the opportunity to disclose all material facts to the directors and members of committees with director-delegated powers considering the proposed transaction or arrangement or grant.
2. **Determining Whether a Conflict of Interest Exists.** After disclosure of the financial interest or relationship with a grantee and all material facts, and after any discussion with the interested person, he/she shall leave the director or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining directors or committee members shall decide if a conflict of interest exists.
3. **Procedures for Addressing the Conflict of Interest.**
 - a. An interested person may make a presentation at the directors or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
 - b. The chair of the directors or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - c. After exercising due diligence, the directors or committee shall determine whether OWET 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.
 - d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the directors or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in OWET's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.
4. **Procedures for Addressing Relationship with Grantee.**
 - a. An interested person may make a presentation at the directors meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, any matters relating to a grant to a potential or existing grantee of OWET.
 - b. An interested person shall not make recommendations on grant requests submitted when the person has a relationship with a potential or existing grantee of OWET. An interested person may respond to questions posed by the directors during any grant discussions, provided there is no attempt to exert personal influence in connection with the voting.

Article IV

Records of Proceedings

The minutes of the directors and all committees with director delegated powers shall contain:

- a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest or a relationship with a grantee, the nature of the financial interest or relationship, any action taken to determine whether a conflict of interest was present, and the director's or committee's decision as to whether a conflict of interest in fact existed.
- b. 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 with the proceedings.

Article V Compensation

- a. A director who receives compensation, directly or indirectly, from OWET for services is precluded from voting on matters pertaining to that director's compensation.
- b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from OWET for services is precluded from voting on matters pertaining to that member's compensation.
- c. No director or voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from OWET, either individually or collectively, is prohibited from providing information to the directors or any committee regarding compensation.

Article VI Statements and Disclosures

Each director, officer and member of a committee with director-delegated powers shall, upon joining OWET as a director or upon assuming an assignment with director-delegated powers, sign a statement that affirms such person:

- a. Has received a copy of the conflict of interest policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands OWET is charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Article VII Periodic Reviews

To ensure OWET operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its 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 reasonable, based on competent survey information, and the result of arm's-length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to OWET'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.

Article VIII Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, OWET may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the directors of their responsibility for ensuring periodic reviews are conducted.