

SAM L. COHEN FOUNDATION

PROHIBITION AGAINST SELF-DEALING POLICY

Approved by the Board on November 11, 2006

Revised by the Board on November 14, 2008

Introduction

The Sam L. Cohen Foundation (the “Foundation”) is a charitable organization which has been determined to be a private foundation. The directors and employees of the Foundation and their immediate families are or may be “disqualified persons” as defined in the provision of the Internal Revenue Code with respect to the Foundation. If the Foundation enters into certain prohibited transactions with a disqualified person, then such disqualified person or the Foundation may be subject to penalties set forth in the Internal Revenue Code.

In order to avoid situations of self-dealing, the directors of the Foundation have adopted the following policy to identify and respond to transactions that may involve self-dealing.

Definitions and Concepts Pertinent to Self-Dealing

Acts of Self-Dealing: An act of self-dealing is defined as a prohibited transaction between a private foundation and a disqualified person.

Transactions Constituting Self-Dealing: Under section 4941 of the Internal Revenue Code and the Treasury Regulations, the following actions constitute acts of self-dealing.

- *Sale, exchange or leasing of property* between the Foundation and a disqualified person
- *Lending money or other extension of credit* between the Foundation and a disqualified person, other than the lending of money by a disqualified person to the Foundation without interest or other charge, so long as the loan proceeds are used exclusively for charitable purposes
- *Furnishing of goods, services and facilities* between the Foundation and a disqualified person, other than the furnishing of goods, services or facilities by a disqualified person to the Foundation without charge so long as the goods, services or facilities are used exclusively for charitable purposes; the Foundation may furnish goods, services and facilities to a disqualified person so long as they are furnished on a basis no more favorable than that on which they are made available to the general public.
- *Payment of compensation (or payment or reimbursement of expenses) to a disqualified person*, other than the payment of compensation and the payment or reimbursement of expenses by the Foundation to a disqualified person for “personal services” that are reasonable and necessary to carry out the exempt

purposes of the Foundation, so long as the compensation, payment, or reimbursement is not excessive (“personal services” include foundation management by directors and officers, legal and accounting services and investment management; payment of directors’ and officers’ liability insurance premiums on behalf of the directors can be part of a reasonable (not excessive) compensation package).

- *Transfer to, or use by or for the benefit of, a disqualified person of the income or assets of the Foundation, except when the benefit is incidental and tenuous, such as some public recognition for grants.*
- *Payment to government officials*
- *Transactions involving corporate securities*

This list of actions is not exhaustive. Other actions may also constitute acts of self-dealing. Foundation directors and employees who are unsure whether any contemplated action may be forbidden to them as ‘disqualified persons’ under the Internal Revenue Code should consult the Foundation’s executive director or legal counsel.

Disqualified Persons: Disqualified persons are defined to include the following persons:

- *Foundation managers* (officers, directors or individuals with similar responsibilities)
- *Substantial contributors*
- *Owners of more the 20% of the ownership interest of any business entity which is a substantial contributor to the Foundation*
- *Family members of any person described above* (spouse, ancestors, lineal descendants and spouses of lineal descendants)
- *A business entity where the persons described above own more than 35% of the voting or beneficial or profits interests thereof*

Policy

The Sam L. Cohen Foundation will not engage in any act of self-dealing as defined in section 4941(d) of the Internal Revenue Code and the Treasury Regulations, or the corresponding section of any future federal tax code or issued Treasury Regulations.

If a transaction, agreement or other relationship should arise which might be an act of self-dealing, then the remaining directors shall determine if the situation is or is not an act of self-dealing. If the remaining directors determine that the transaction, agreement or

other relationship is an act of self-dealing, then the Foundation shall not complete or consummate the transaction, agreement or relationship.

Procedures for Identifying Potential Acts of Self-Dealing

All directors and covered employees (who are defined below) must complete a Conflict of Interest Statement that identifies and discloses any existing or potential relationships that may lead to an actual or perceived conflict of interest or act of self-dealing. The Conflict of Interest Statements will be completed annually. Directors and covered employees are responsible for informing the board chair or executive director of any subsequent changes in a timely manner. Information will be updated as needed, but no less frequently than annually.

The board chair or the executive director will review each Conflict of Interest Statement. These statements may be distributed to the Foundation's board members and Foundation staff, and also may be disclosed publicly on request. Requests by directors that any portion of this statement be kept confidential will be evaluated on a case-by-case basis by the executive director and the board chair. In the event that the requesting director is the board chair, the evaluation will be made by the executive director and another director. In the event the request for confidentiality is made by the executive director, the evaluation will be made by the board chair and another director.

Covered employees shall be senior employees, other employees who have a decision making role in hiring, contracting or grant making, and any other employee whom the executive director determines should be a covered employee. Each new director or covered employee shall be advised of the policy and furnished a disclosure statement upon undertaking the duties of such position.

Procedures for Discovering Acts of Self Dealing

Disclosure: Prior to each meeting of the Board of Directors, the executive director will mail an agenda, and all necessary accompanying information, to each of the directors and the covered employees. After receipt of such materials, each director and covered employee must review the materials to determine if any action to be taken by the Foundation could give rise to an act of self-dealing.

If the responding director or covered employee reports that an action may constitute an act of self-dealing, then the remaining directors shall confirm this position at the meeting. No reported action can be taken on this matter until this decision is confirmed, statement or not, at the first possible opportunity. If the action is determined to be an act of self-dealing by the remaining directors, then the Foundation shall not complete or consummate the transaction, agreement or relationship (as defined in the above-stated policy). If the action is determined not to be an act of self-dealing by the remaining directors, then the action must be evaluated in accordance with the Foundation's Conflict of Interest Policy.

Minutes of Board Meetings: Whenever a potential act of self-dealing is disclosed, discussed, considered, or acted upon, the minutes of the board meeting shall thoroughly document all actions taken with respect to the potential act of self-dealing.

No Prohibited Acts: No transaction, agreement or other relationship or act shall be entered into or taken on behalf of the Foundation if such transaction, agreement or other relationship or act would jeopardize the Foundation's tax-exempt status under section 501(c)(3) of the Internal Revenue Code or constitute an act of self-dealing under section 4941 of the Code.