On Tuesday, June 14, 2005, the Board of Directors for The Forbes Funds approved the following Model Code of Ethics as the Code of Ethics for The Forbes Funds, replacing the organization's previous code.

The Forbes Funds is a Member of Grantmakers of Western Pennsylvania.

GRANTMAKERS OF WESTERN PENNSYLVANIA

STATEMENT OF ETHICAL STANDARDS

We, the members of Grantmakers of Western Pennsylvania, as responsible stewards of charitable resources, commit ourselves to the following standards of ethical behavior and excellence in practice:

Members of Grantmakers of Western Pennsylvania:

1. Adhere to the highest principles of ethical behavior and to an appropriate conflict-of-interest policy for our organization's staff and board members.

2. Are mindful of and fulfill our fiduciary and legal responsibilities.

3. Deal respectfully with all applicants, grantees, donors and anyone seeking information about our organization.

4. Provide basic information about programs, funding priorities and application requirements on a timely basis.

5. Respect the confidentiality of donors, grantees and applicants using discretion when communicating information about organizations or individuals.

6. Review and evaluate on an ongoing basis the priorities, policies and practices of our organization to insure that the organization's mission is being fulfilled.

7. Promote inclusiveness as appropriate in our employment, board-recruitment, and grantmaking practices.

This statement makes use of language set forth in materials made available by the following organizations, and Grantmakers of Western Pennsylvania acknowledges and expresses its appreciation to them: BBB Wise Giving Alliance; Independent Sector; Minnesota Council of Foundations; Pennsylvania Association of Nonprofit Organizations; and Surdna Foundation.

DECLARATION OF ETHICAL PRINCIPLES AND PRACTICES

A. Personal and Professional Integrity

Board members, staff and volunteers of member organizations act with integrity in all their internal and external dealings.

B. Mission

Member organizations pursue clearly stated missions and purposes, approved by their governing boards, in service of the public good.

C. Governance

Member organizations maintain an active governing body (typically referred to as the "board" in this Declaration) that is responsible for setting the mission and strategic direction of the organization and for overseeing its finances, operations, and policies. The governing body:

- Ensures that its own members understand and fulfill their governance responsibilities in acting for the benefit of the organization and its public purpose, and that both they and staff have the requisite skills and experience to carry out their duties;
- Has a conflict-of-interest policy ensuring that any conflicts of interest or the appearance thereof are avoided or appropriately managed through disclosure, recusal, or other means;
- Is responsible for the selection, evaluation, and performance of the chief executive officer; conducts regularly scheduled appraisals of the chief executive officer's performance; and ensures that the chief executive officer's compensation is reasonable and appropriate;
- Ensures that all transactions and dealings of the organization are conducted with integrity and honesty; that the organization is fair and inclusive in its hiring and promotion policies and practices for all board, staff, and volunteer positions; that policies of the organization are in writing, clearly articulated, and officially adopted; and that the resources of the organization are responsibly and prudently managed;
- Approves an annual budget for its current fiscal year, outlining projected expenses for major program activities, administration, and fundraising (if applicable);
- Reviews, as part of its annual budget process, the percentages of the organization's resources spent on program, fundraising, and administration; and
- Reviews its annual audit together with its independent auditors, as appropriate.

D. Legal Compliance

Member organizations are knowledgeable of and comply with all applicable laws, regulations, and conventions. Members provide adequate training and ongoing legal advice to ensure that governing boards and staff are well informed of relevant legal and regulatory issues.

E. Responsible Stewardship

Member organizations manage their funds responsibly and prudently, in keeping with the following considerations:

- The organization spends an appropriate percentage of its annual budget on grants or programs in pursuance of its mission;
- The organization spends appropriately on administration to ensure the effectiveness of accounting systems, internal controls, professional management, and staff performance;
- The organization compensates staff reasonably and appropriately;
- Organizations that solicit funds have reasonable fundraising costs, recognizing the variety of factors that affect such costs;
- Organizations with endowments (both private foundations and public charities) prudently draw from endowment funds consistent with donor intent and to support the public purpose of the organization; and
- All financial reports are factually accurate and complete in all material respects.

F. Administrative Expenses

Member organizations act prudently with regard to administrative expenses, ensuring that the level of such expenses is consistent with their mission, activities, and organizational type. Each member organization commits that its governing board will establish and maintain an administrative-expense policy that:

- Recognizes that there are publicly available data identifying ranges of typical ratios of administrative expenses to assets or distributions for grantmakers of similar type, asset size, programmatic scope, and geographic area of service.
- Requires that, if the organization's administrative expense ratio periodically exceeds those norms, its governing board will examine the reasons for the variance, determine whether those reasons are valid and, if not, take steps to reduce administrative expenses accordingly.

Among the factors that could cause a grantmaker's administrative expenses to exceed the normative range are: whether the organization operates programs; the extent of technical assistance and other services it provides to grantees; the extent of its efforts to share its knowledge with grantees and the public; its chosen scope of assessment and evaluation; the nature of its programs or initiatives, and other similar variables relating to the organization's mission and type.

G. Compensation

In setting compensation levels, member organizations are mindful of their responsibilities as stewards of charitable funds. Any compensation paid to board members, staff, contractors, consultants and other providers of services is reasonable and commensurate with the individual's or firm's responsibilities, time commitment, and duties and services performed. As one measure of reasonableness, member organizations refer to publicly available data describing typical levels of compensation paid by similar organizations for similar duties in similar circumstances to persons of similar qualifications. Members also maintain job descriptions detailing specific duties and expectations for all staff members, and review those expectations against the actual performance of staff members on a regular basis, at least once per year.

H. Openness and Disclosure

Member organizations respond in a timely manner to reasonable requests for information and provide comprehensive, accurate, and current information to the public, the media, and all stakeholders.

I. Conflicts of Interest

Members seek to avoid both conflicts of interest and the appearance of conflicts that might undermine either the integrity of their organizations or the public's trust in the field of organized philanthropy. Members recognize that the Internal Revenue Code prohibits certain kinds of transactions with, or which benefit, "disqualified persons" as defined in the Code and relevant regulations and rulings. With respect to transactions which are not prohibited, members are mindful of two types of conflicts of interest:

Self-Dealing: The potential for self-dealing arises in any transaction or decision from which a board member, staff member, or other "disqualified person," including family members of board members or staff, may profit or receive a monetary benefit. A conflict of interest exists when a person having input into a decision could personally benefit, either directly or indirectly, from the outcome of that decision.

Conflict of Loyalty: A conflict of loyalty arises in any transaction or decision in which a board or staff member is in a position of divided or conflicting loyalties. This occurs when an individual is involved in any personal or business relationship that may significantly influence or bias his or her decision-making ability as a board or staff member. Relevant factors in determining a conflict of loyalty include the duration, strength, and intimacy of a given personal or business relationship or affiliation, and its relevance to the functions performed by the individual.

To protect against these two types of conflicts, member organizations adhere to the following guidelines:

- Board and staff members shall not receive any pecuniary gain as a result of any grant made to, or of any contract entered with, any third party by the foundation.
- Board and staff members shall not accept any payments, gifts, loans, trips, or entertainment from organizations or individuals that: (1) have applied for, or received, grants during the preceding three years; (2) might reasonably be expected to apply for a grant in the near future; or (3) provide, or seek to provide, services to the foundation. Permissible exceptions may include: gifts of nominal value; meals and social invitations that are in keeping with good business ethics and do not obligate the recipient; and payments for serving in an official capacity or for services to other organizations, provided these payments are disclosed to the governing board.
- Board and staff members shall disclose to the governing board all official connections with applicants for grants that do not result in any financial benefit to the board or staff member, such as memberships on boards or other voluntary positions with the applicant organization. Staff members shall recuse themselves from reviewing and recommending

proposed grants for organizations to which they are connected, provided there are other staff members who could review and analyze the proposed grant. Board members shall refrain from voting on any grants for organizations to which they are connected, and in addition, in circumstances which present a conflict of loyalty as defined above, an affected board member may present information regarding the grant at the request of the board, but shall recuse himself or herself from deliberation regarding the grant.

- Board and staff members shall disclose to the governing board all dealings between their foundation and themselves or any organization in which they have a material interest. Examples of the kinds of dealings that should be disclosed are: sales, transfers or leases of property, loans, furnishings of goods or services and employment of themselves or any family member, including retention of themselves or any family member for professional services. If any such dealings are considered for approval by the governing board, the interest of such personnel shall be disclosed to the board prior to its vote. Any board or staff member having an interest in any such dealings, or a conflict of loyalty with respect to such matter, shall recuse himself or herself from deliberation regarding such matter, and shall not vote upon such dealings.

J. Demographic Inclusion and Representation

In their employment, board-recruitment, and grantmaking practices, member organizations seek to promote inclusiveness and are respectful of the need to be representative of the communities they serve.

K. Annual Review and Commitment

As members of GWP, we agree to review, not less than annually, this *Declaration of Ethical Principles and Practices*. Each member organization will involve its board members, chief executive officer, and such other staff as the board may wish to include, in a discussion of whether the organization is operating in a manner consistent with these principles and practices. Importantly, members will take actions as may be appropriate to improve compliance or correct non-compliance.