

# THE CENTER FOR DISCOVERY

SUBJECT: Statement of Ethical Standards for Officers,  
Directors and Key Employees

MANUAL: Corporate Compliance

SECTION: Section 1

## Purpose:

The, Officers, Directors and Key Employees of The Center for Discovery (CFD) are responsible for upholding a public trust. We are called to a higher standard of stewardship in order to meet the special privileges that our tax-exempt status allows. The Officer's, Director's and key Employee's actions should meet or exceed these higher standards rather than only minimally satisfy the requirements of tax-exempt status. Areas of behavior to be avoided include personal actual or perceived conflicts of interest by Officers, Directors, Key Employees and their families and business associates, questionable investments, improper treatment of consumers, improper use of funds raised (especially for personal remuneration), expensive and inefficient fundraising practices, failure to meet legal requirements and similar offenses.

## Policy:

The Board of Directors of The Center for Discovery<sup>1</sup> has adopted the following policy designed to avoid any possible conflict between the personal interests of Officers, Directors and key Employees and the interests of CFD.

The purpose of this policy is to insure that decision about CFD operations and the use and dispositions of CFD assets are made solely in terms of benefits to CFD and are not influenced by any private profit or other personal benefit to the individuals affiliated with CFD who take party in decision. In addition to actual conflicts of interest, Officers, Directors and key Employees are also obliged to avoid actions that could be perceived or interpreted in conflict with CFD's interest.

Conflicts of interest may occur when CFD enters into transactions with not-for-profit organizations as well as those that are undertaken with profit making entities. The best way to deal with this problem is a full disclosure of all personal and business relationships with organizations that do business with CFD and to refrain from participation in decisions affecting transactions between CFD and those organizations. **Such relationships do not necessarily restrict transactions as long as the relationship is clearly divulged and non-involved members of the Board of Directors make any necessary decisions.**

## Procedures:

Any Officer, Director or key Employee who may be involved in any CFD business transaction in which there is a possible conflict of interest will promptly notify the Chairman of the Board or the President / CEO, who will promptly notify the board and any committee undertaking review of the matter giving rise to the actual or possible conflict. The individual with the actual or possible conflict of interest shall not be present at, or participate in, Board or committee

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<sup>1</sup> For purposes of this policy, all references to "CFD" include The Center for Discovery, Inc., and its affiliates, The Center for Discovery Endowment Fund, Inc., SDTC Foundation, Inc., Developmental Residential Services, Inc., Sullivan CP Residence Corp., and SDTC Magnet Services Corp.

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deliberations or voting on the matter giving rise to the actual or possible conflict. That individual is also prohibited from attempting to influence the deliberations and / or voting of the Board or any committee reviewing and / or discussing the matter giving rise to the actual or possible conflict.

The Board Member's presence may not be counted in determining the quorum for any vote with respect to the CFD business transaction in which he or she has a possible conflict of interest. Furthermore, the Board Member will disclose a possible conflict of interest to the other members of the Board before any vote on the CFD business transaction and such disclosure will be recorded in the Board minutes of the meeting at which it is made. Any CFD business transaction which involves a possible conflict of interest with an Officer, Director or key Employee or in any other manner could be considered a "related party transaction" will have terms which are at least as fair and reasonable to CFD as those which would otherwise be available to CFD if it were dealing with an unrelated party.

The Board Chairman or President / CEO, after receiving information about a possible conflict of interest, will take such action as is necessary, including but not limited to disclosure of the actual or possible conflict to the Board and/or to the Finance Committee to assure the transaction is completed in the best interest of CFD without the substantive involvement of the person who has the possible conflict of interest. **(This does not mean that the purchase or other transaction must necessarily be diverted, but simply that persons other than the one with the possible conflict will make the judgments involved and will control the transaction.)**

Each Director, Officer and Key Employee will complete the attached questionnaire on an annual basis.

The Board or President / CEO may, in its / his discretion, extend the requirement of filing the conflict of interest disclosure form to those individual who hold a position in which they exercise substantial authority to commit CFD to contractual obligations or who make decisions related to substantial purchases by CFD.

A written record of any report of actual or possible conflict of interest and of any actions or adjustments made to avoid possible conflicts of interest will be maintained with the Board minutes.

The policy statement will be made available to each Officer, Director and Key Employee, as well as to those individuals designated to file a conflict of interest form because they hold a position in which they exercise substantial authority to commit CFD to contractual obligations or who make decisions related to substantial purchases by CFD. Prior to the initial election of any director, and annually thereafter, directors must complete, sign and submit the attached acknowledgment concerning reporting of potential conflicts of interest.

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## Definitions:

1. An “Officer” of CFD and affiliated organizations includes those individuals holding the office of Chairman, Vice-Chairman, Secretary and / or Treasurer of the organization. A “Director” includes those individuals holding the office of Director of CFD or any of the affiliated organizations. A “Key Employee” includes those individuals holding the title of President / CEO, Associate Executive Director, Chief Financial Officer and / or comparable titles.
2. “Involved in a CFD business transaction” means initiating, making the principle recommendations for, or approving a purchase or contract; recommending or selecting a vendor or contractor; drafting or negotiating the terms of such transactions; or authorizing or making payments from CFD accounts. That language is intended to include not only transactions for CFD’s procurement of goods and services, but also for the sale or disposition of CFD property, and the provision of services or space by or to CFD.
3. A “possible conflict of interest” is deemed to exist where the Director, Officer, Key Employee or a close relative, or a members of that person’s household, is an officer, director, employee, proprietary owner, partner, or trustee of, or an owner individually or when aggregated with ownership interests of close relatives or members of the person’s household, of more than 5% of the controlling interest in an organization doing business or seeking to do business with CFD. A possible conflict is also considered to exist where such a person is (or expects to be) retained as a consultant or contractor by an organization which is doing business or is seeking to do business with CFD, or whenever a transaction will entail a payment of money or anything else of value to the official, member, to a close relative, or to a member of that person’s household.
4. A “possible conflict of interest” exists when an individual affiliated with CFD has an interest in an organization which is in competition with a firm seeking to do business with CFD if the individual’s position gives him or her access to proprietary or other privileged information, which could benefit the firm in which he or she has an interest.
5. A “possible conflict of interest” exists when an individual affiliated with CFD is a trustee, director, officer or employee of a not-for-profit organization which is seeking to do business with or have a significant connection with CFD or is engaged in activities which could be said in business context to be “in competition with” the programs of CFD.
6. A “possible conflict of interest” exists when a family member of an Officer, Director or key Employee is employed by CFD or by a corporation or organization that does

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business or proposes to do business with CFD or when a family member of an Officer or Director is receiving or will receive services from CFD in an existing or new program.

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