

RULES AND REGULATIONS OF THE NAAG CHARITIES ENFORCEMENT AND TRAINING FUND

Section A - History and Purpose

In September 2018, the National Association of Attorneys General Charities Committee agreed to support the establishment of a fund into which the states may deposit future monetary recoveries from joint charities enforcement actions and settlements. In March of 2019, the Charities Committee voted to approve these Rules and Regulations of the NAAG Charities Enforcement and Training Fund to be submitted for approval to the Executive Committee of the National Association of Attorneys General for its approval.

In accordance with the NAAG Charities Committee's stated mission to facilitate cooperation among the attorneys general with respect to charities registration and enforcement, to conduct trainings in coordination with the National Association of State Charity Officials (NASCO), and to promote the development of effective charities registration and enforcement programs and education for the protection of citizens, a fund known as the NAAG Charities Enforcement and Training Fund (Fund) is hereby established and **shall be used for the following purposes:**

- To pay for expenses relating to the investigation and litigation of civil and criminal cases involving charitable assets, charitable organizations and/or charitable solicitations including but not limited to potential violations of state and federal consumer protection laws and state charitable registration laws. Illustrative examples include, but are not limited to, travel costs, expert witness and consulting fees, expenses associated with document review platforms, and other routine costs.
- To pay for training and educational programming made available to both the attorneys general and NASCO members, including but not limited to the annual NAAG/NASCO Charities Conference. For scholarship recipients to any program or training, the number of non-attorney general recipients shall not exceed twenty-five percent (25%) of the total number of potential recipients.

The administration and oversight of this Fund is vested in the Executive Committee of the National Association of Attorneys General as promulgated by these Rules and Regulations.

Section B - Special Committee

1. **Special Committee:** A Special Committee consisting of three attorneys general shall be created to evaluate requests for payment and approve final awards from the Fund. The members of the Special Committee shall be members of the NAAG Charities Committee, appointed by the NAAG President, and approved by the NAAG Executive Committee. The term of each Special Committee member shall be for the duration of the calendar year during which they are appointed. Members may be re-appointed with no term limits. No more than two (2) members of the Special Committee may be of one political party. The NAAG President should give consideration to regional balance of the members. In the event the NAAG Charities Committee ceases to exist, the NAAG President shall appoint

members of the Special Committee from the full NAAG membership, to be approved by the NAAG Executive Committee as set forth above.

2. **Chair:** The members of the Special Committee shall, by majority vote, elect a Chair to serve a one-year term. The Chair may be re-elected. The Chair shall call for meetings, and run meetings and calls of the Special Committee. Fund statements shall be available to all NAAG members and the Chair shall transmit annually at a NAAG Annual Meeting, or as requested by a member or members of NAAG at any time, a statement to the membership on the Fund balance and all requests for grants and all deposits to and withdrawals from the Fund in the previous calendar or fiscal year.
2. **Vote:** The affirmative vote of two or more members of the Special Committee shall be required to approve all grants. When considering whether to approve a grant request, the Special Committee may consider the number of states involved in the matter, participation by state agencies other than the attorneys general, bipartisanship, the public interest, available fund resources, likelihood of success in the matter, likelihood of reimbursement of funds, and other relevant issues. The granting or denial of any payment request by the Special Committee shall be final and is not subject to appeal.
3. **Limitation on Corpus:** The Special Committee is expressly authorized to disburse principal of the corpus and is not limited to disbursing only the income generated by the Fund during the previous calendar year.
4. **Manner of Meetings:** The Special Committee may meet in person or telephonically and may vote via writing, phone, email, fax or other agreed upon electronic media.

Section C - Fund Management

1. **Deposit:** NAAG shall place the corpus of the Fund in a segregated account, separate from all other NAAG accounts, which shall not then or thereafter be commingled with any other funds or accounts. However, nothing herein shall prevent deposits into the account so long as monies so deposited are then lawfully committed for the purpose of the Fund as set forth herein.
2. **Investment:** NAAG shall invest the Fund appropriately in order to generate additional income consistent with an Investment Policy developed and approved by the Special Committee within 60 days of creation of the Special Committee. The Special Committee shall endeavor to maintain the Fund for as long a term as is consistent with the purpose of the Fund. If the Special Committee determines that the purpose of the Fund does not exist anymore, the Executive Committee may dissolve the Fund and determine whether to direct the remaining monies be deposited in the NAAG General Fund and/or transfer a portion of the funds to NASCO, should that be reasonable and appropriate.

Section D - Reimbursement

To the extent applicable and permitted by law, each attorney general or applicant whose grant application is favorably acted upon shall promise to pay back to the Fund all of the amounts received from the Fund in the event the state is successful in the litigation or action for which funds have been appropriated. In the event that the monetary recovery, if any, obtained is not sufficient to pay back the entire amount of the grant or is otherwise limited by the terms of any judgment, that attorney general or applicant shall pay back as much as is permitted by the recovery. In all instances where monies are granted from the Fund, the attorney(s) general or applicant receiving monies shall provide an accounting to NAAG of all disbursements received from the Fund no later than the 31st of January next following such disbursement. Funds requested for the purpose of training and educational programming, and related events are not subject to reimbursement.

Section E - Conflict of Interest

When a grant application is made to the Fund by an attorney general who is also a member of the Special Committee, such member shall be temporarily replaced on the Committee for the duration of determination of that grant application. The NAAG President shall name a member of the Executive Committee to temporarily serve on the Special Committee for the consideration of that grant application.

Section F - Fees

A fee of 1.0% of the total value of the Fund at the Fund's inception and annually thereafter shall be paid to NAAG each year out of the Fund to cover all administrative costs and third party fees related to the maintenance of the Fund.

Section G - Grant Application Protocols

The Protocols for grant application, as described in Attachment 1, shall be transmitted to all attorneys general and the NASCO Board within 30 days of the approval of these Rules and Regulations with a copy of these Rules and Regulations. These Protocols may only be amended by an affirmative vote of the NAAG Executive Committee. NAAG staff shall notify the NAAG membership and the NASCO Board of any amendments promptly.

Section H - Audits

All accounting related to this Fund shall be subjected to audits conducted as part of the NAAG annual auditing procedures.

Section I - Amendments

These Rules and Regulations may only be amended by an affirmative vote of the NAAG Executive Committee. NAAG staff shall notify the NAAG membership and the NASCO Board of any amendments promptly.

Section J - Approval

The creation of the NAAG Charities Enforcement and Training Fund and these Rules and Regulations were approved by the NAAG Executive Committee on June 11, 2019. This is certified by Executive Director Chris Toth's signature below:

A handwritten signature in cursive script that reads "Christopher Toth". The signature is written in dark ink and is positioned above the printed name and title.

Chris Toth
NAAG Executive Director

ATTACHMENT 1 GRANT APPLICATION PROTOCOLS

Grant applications may be submitted at any time, must be in writing and must be signed by the attorney(s) general or the Executive Director of NAAG, if the grant application is being submitted by NAAG. Applications may be co-submitted by other members of NASCO, including a secretary of state or those individuals holding an equivalent office. In cases of requests to fund litigation, investigation, settlement negotiation, or settlement monitoring-related travel expenses, a blanket request by an applicant to cover all travel expenses of participating states may be submitted for vote.

Grant applications must also include a recitation of the following questions, with answers to each question set forth separately:

1. A description of the purposes for which the monies sought will be used and how these purposes comply with the purposes for which grant funds can be used (see Section A of the Rules and Regulations).
2. A description of the contemplated/pending action.
3. A statement whether the action is actively or currently being pursued by any other attorney general, secretary of state, or other government charity regulator.
4. The amount requested.
5. A directive as to how disbursements from the Fund should be made, e.g. either directly to a supplier of services (travel agency, consultants, experts, faculty, witnesses, etc.), to the applicant directly, to NAAG, or in the case of a multistate action, to one or more offices designated as a recipient of the monies.
6. A statement that the applicant will, to the extent applicable and permitted by law, reimburse the Fund all, or as much as possible, of the monies received, upon receipt of any monetary recovery obtained in the contemplated/pending litigation related to the appropriation of funds. However, reimbursement is not required for funds used to pay for training and educational programming, and related events.
7. A statement acknowledging that all bills and receipts, either from third party vendors, personnel employed by the applicant, or NAAG personnel, shall be submitted to the NAAG finance department for disbursement within the expected billing cycle, and that all reimbursement or payment requests shall conform to commonly accepted accounting principles.