

Conflicts of Interest Policy Between Habitat for Humanity of the West Valley and the Board of Directors

November 10, 2005

Article I **Purpose**

The purpose of the conflicts of interest policy is to protect Habitat for Humanity of the West Valley's (HFHWV) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of HFHWV. This policy is intended to supplement but not replace any applicable state and laws governing conflicts of interest applicable to nonprofit and charitable organizations

Article II **Definitions**

1. Interested Person

Any director, principal officer, or member of a committee with board delegated powers who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity in the system of which HFHWV is a part, he or she is an interested person with respect to all entities in the system.

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 HFHWV has a transaction or arrangement, or
- b. A compensation arrangement with HFHWV or with any entity or individual with which HFHWV has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which HFHWV is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

Article III **Procedures**

1. Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence and nature of his or her financial interest to the directors and members of committees with board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest, the interested person shall leave the board or committee meeting while the financial interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. The chairperson of the board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b. After exercising due diligence, the board or committee shall determine whether HFHWV can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
- c. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in HFHWV's best interest and for its own benefit and whether the transaction is fair and reasonable to HFHWV and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

4. Violations of the Conflicts of Interest Policy

- a. If the board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV
Records of Proceedings

The minutes of the board and all committees with board-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, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board'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 therewith.

Article V
Compensation Committees

- a. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from HFHWV for services is precluded from voting on matters pertaining to that member's compensation.
- b. Persons who receive compensation, directly or indirectly, from HFHWV, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters.

Article VI
Annual Statements

Each director, principal officer and member of a committee with board delegated powers shall annually sign a statement which affirms such person:

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

Article VII
Periodic Reviews

To ensure that HFHWV operates in a manner consistent with its tax exempt purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether acquisitions of industry segments and other provider services result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements and arrangements with management service organizations conform to the written policies, are properly recorded, reflect reasonable payments for goods and services, further HFHWV's tax exempt purposes and do not result in inurement or impermissible private benefit.
- d. Whether agreements to provide services and agreements with other organizations, employees, and third party payors further HFHWV's charitable purposes and do not result in inurement or impermissible private benefit.

Article VIII
Use of Outside Experts

In conducting the periodic reviews provided for in Article VII, HFHWV may, but need not, use outside advisors. If outside experts are used their use shall not relieve the board of its responsibility for ensuring that periodic reviews are conducted.