

Paterson Habitat for Humanity, Inc.

CONFLICT OF INTEREST POLICY

Article I: Purpose

The purpose of this Conflict of Interest Policy is to protect Paterson Habitat for Humanity (PHFH) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of PHFH or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations. All reference herein to the “board” or the “board of directors” shall mean the Board of Directors of Paterson Habitat for Humanity as constituted at the time of the transaction or arrangement being contemplated. All references to a “committee” shall mean any committee constituted by the board and to which the board has delegated powers.

Article II: Definitions

Section 1 – Interested Person

Any trustee, officer, or member of a committee, who has direct or indirect financial interest, as defined below, is an interested person.

Sections 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 PHFH has a financial transaction or arrangement;
- (b) A compensation arrangement with PHFH or with any entity or individual with which PHFH has a transaction or arrangement; or
- (c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which PHFH is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the Board of Directors decides that a conflict of interest exists.

Article III: Procedures

Section 1 – Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Board of Directors.

Section 2 – Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board of Directors meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall decide if a conflict of interest exists.

Section 3 - Procedures for Addressing the Conflict of Interest

- (a) An interested person may make a presentation at the Board meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- (b) The chairperson of the Board shall, if appropriate, appoint a disinterested person or Committee to investigate the alternatives to the proposed transaction or arrangement.
- (c) After exercising due diligence, the Board shall determine whether PHFH can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- (d) If a more advantageous transaction is not reasonably possible under circumstances not producing a conflict of interest, the Board shall determine by a majority vote of members who are disinterested persons whether the transaction or arrangement is in PHFH's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

Section 4 – Violations of the Conflicts of Interest Policy

- (a) If the Board has reasonable cause to believe an officer, director or committee member has failed to disclose actual or possible conflicts of interest, it shall inform such an individual of the basis for such belief and afford the individual an opportunity to explain the alleged failure to disclose.
- (b) If, after hearing the response of the officer, Trustee, or Committee member and after making further investigation as warranted by the circumstances, the Board determines such individual has 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 shall contain the following information:

- (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 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 the proceedings.

Article V
Compensation

The following provisions shall apply in the event that PHFH pays compensation to any officer, employee, Board member or member of a Committee of the Board:

- (a) A voting member of the Board who receives compensation, directly or indirectly, from PHFH for services is precluded from voting on matters pertaining to that member's compensation.
- (b) A voting member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from PHFH for services is precluded from voting on matters pertaining to that member's compensation.
- (c) No voting member of the Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Paterson Habitat for Humanity either individually or collectively, is prohibited from providing information to any Committee regarding compensation.

Article VI
Annual Statements

Each Trustee, officer, and member of a Committee with Board delegated powers shall annual 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 complied and agrees to continue to comply with the policy; and

- (d) Understands that PHFH is charitable and 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 PHFH operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (a) Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.
- (b) Whether partnerships, joint ventures, and arrangements with management organizations conform to PHFH's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII: Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, PHFH may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.