

Policy: Conflicts of Interest and Disclosure

I. Purpose

Habitat for Humanity California of Orange County (Habitat) is committed to the highest standards of honesty and integrity and expects all board and staff members to exercise appropriate ethical and business judgment at all times. The purpose of the conflicts disclosure is to alert the Board of Directors of personal interests that might affect a person's judgment while making decisions that affect Habitat. Disclosure also helps inform the Board about potential conflicts of interest.

II. Definitions

A. *Insider* means a person with substantial influence over Habitat. The following four categories of persons are deemed to have substantial influence over Habitat, and therefore are considered "insiders" for the purposes of this policy:

(1) Each member of the Board of Directors or other governing body.

(2) The president, chief executive officer, chief operating officer, controller and chief financial officer, executive director, or any person with the responsibilities of any of these positions (whether or not the person is an officer of Habitat under Habitat's Bylaws and the California Corporations Code).

(3) Any other person whom the Board, based on the facts and circumstances, determines to have substantial influence over Habitat. Such persons may include a founder of or a substantial contributor to Habitat, a person with managerial authority over Habitat, or a person with control over a significant portion of Habitat's budget (such as a key employee).

(4) Any person who met any of the above definitions at any time during the five years before the proposed transaction.

B. *Interested person* includes insiders in any of the four categories above and any person described in either of the two categories below.

(1) Spouses, domestic partners, ancestors, children, grandchildren, great-grandchildren, brothers, sisters, and the spouses of their children, grandchildren, great-grandchildren, brothers, and sisters of any individual listed in categories 1 – 4 above.

(2) Any entity in which any combination of persons listed above in categories 1 – 4 holds more than 35 percent of the combined voting power, if the entity is a business corporation; profits interests, if a partnership; or beneficial interest, if a trust or estate.

C. *Interest* means any commitment, investment, relationship, obligation, or involvement that may influence a person's judgment, including receipt of compensation from Habitat, a sale, loan,

or exchange transaction with Habitat, and other financial interests, direct or indirect, as well as personal, political, social, or professional interests.

D. A *conflict of interest* is present when, in the judgment of the body or individual determining whether a conflict exists, an interested person's stake in the transaction is such that it reduces the likelihood that an insider's influence can be exercised impartially in the best interests of Habitat.

E. *Person* means any individual or entity, including a trust, estate, partnership, association, company, or corporation.

F. *Transaction* means any transaction, agreement, or arrangement between an interested person and Habitat, or between Habitat and any third party where an interested person has an interest in the transaction or any party to it. Transactions specifically identified as presenting no conflict of interest by applicable law, or under a corporate policy adopted by the Board of Directors to govern certain similar transactions and impartially administered, are excepted from the term transaction for purposes of this policy. Nothing in this policy permits Habitat to engage in a transaction prohibited by law.

Service on the board of another not-for-profit corporation does not constitute a conflict of interest. The Board of Directors recognizes that conflicts of interest are not uncommon, and that not all conflicts of interest are necessarily harmful to Habitat. However, the Board requires full disclosure of all actual and potential conflicts of interest.

III. Policy

A. Disclosure of Conflicts of Interest.

(1) *General.* Habitat's Board Secretary or designee shall distribute annually to all Insiders, a form soliciting the disclosure of all conflicts of interest, including specific information concerning the terms of any contract or transaction with Habitat and whether the process for approval set forth in this policy was used. Such disclosure form may require disclosure of other relationships that may not constitute an actual conflict of interest, but which are required to be disclosed in order for Habitat to comply with its annual reporting requirements.

(2) *Directors and Officers.* A director or officer shall additionally disclose a conflict of interest: (a) prior to voting on or otherwise discharging his duties with respect to any matter involving the conflict which comes before the Board or any committee; (b) prior to entering into any contract or transaction involving the conflict; and (c) as soon as possible after the director or officer learns of the conflict.

(3) *Employees.* An employee of Habitat with a potential conflict of interest in a particular matter shall promptly and fully disclose the potential conflict to his supervisor. The employee shall thereafter refrain from participating in deliberations and discussion, as well as any decisions, relating to the matter and follow the direction of the supervisor as to how Habitat decisions which are the subject of the conflict will be determined. The Chair shall be responsible for determining the proper way for Habitat to handle decisions which involve unresolved employee conflicts of interest. In making such determinations, the Chair may consult with legal counsel.

The Chair shall report to the Board at least annually concerning employee conflicts of interest which have been disclosed and contracts and transactions involving employee conflicts which the Chair has approved.

B. Approval of Contracts and Transactions Involving Potential Conflicts of Interest. Once a conflict of interest has been found, the Board or other Board Committee empowered to approve a specific transaction or type of transaction shall follow the procedures set forth below in order to decide what measures are needed to protect Habitat's interests in light of the nature and seriousness of the conflict, to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are appropriate. A director shall not vote on any transaction in which the director has an interest.

(1) The Board or Committee may ask questions of and receive presentation(s) from the insider(s) and any other interested person(s), but shall deliberate and vote on the transaction in their absence. The Board or Committee shall ascertain that all material facts regarding the transaction and the interested person's conflict of interest have been disclosed to the Board or Committee, and shall compile appropriate data to ascertain whether the proposed transaction is fair and reasonable to Habitat.

(2) After exercising due diligence, which may include investigating alternatives that present no conflict, the Board or Committee shall determine whether the transaction is in Habitat's best interest, for its own benefit, and whether it is fair and reasonable to Habitat; the majority of members of the Board or Committee then in office may approve the transaction. Decisions regarding a director with a material financial interest in a transaction may be made initially by a Committee where it is not reasonably practicable to obtain advance Board approval, but must be ratified by the Board at the Board's next meeting. If the transaction does not involve a director with a material financial interest, the transaction can be approved by the Board or Committee by majority vote of those present at a meeting for which quorum requirements have been met.

(3) The minutes of any meeting of the Board and any Committee pursuant to this policy shall contain the name of each interested person who disclosed or was otherwise determined to have an interest in a transaction; the nature of the interest and whether it was determined to constitute a conflict of interest; any alternative transactions considered; the members of the Board or Committee who were present during the debate on the transaction, those who voted on it, and to what extent interested persons were excluded from the deliberations; any comparability data or other information obtained and relied upon by the Board or Committee and how the information was obtained; and the result of the vote, including, if applicable, the terms of the transaction that was approved and the date it was approved.

C. Validity of Actions. No contract or other transaction between Habitat and one or more of its Directors or officers, or between Habitat and any other interested person, shall be either void or voidable for this reason alone or by reason alone that such Director or Directors or officer or officers are present at the meeting of the Board of Directors, or of a committee thereof, which authorizes such contract or transaction, or that his or their votes are counted for such purpose, if the material facts as to such Director's or officer's interest in such contract or transaction and as



to any such common directorship, officership or financial interest are disclosed in good faith or known to the Board or committee, and the Board or committee authorizes such contract or transaction by a vote sufficient for such purpose without counting the vote or votes of such interested Director or officers. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or committee which authorizes such contract or transaction. At the time of the discussion and decision concerning the authorization of such contract or transaction, the interested Director or officer may not be present at the meeting.



Conflict of Interest Form
For
Directors and Officers

NAME: _____

ADDRESS: _____

Please complete all sections below:

- I. Are you aware of any relationship or transaction with Habitat which involves or could ultimately harm or benefit financially;
a. Yourself (see policy item II, C.);
b. Any member of your immediate family (defined as your spouse, parents, children, brothers, or sisters and spouses or other individuals listed in policy item II, B (1));
c. Any organization to which you or an immediate family member is a director, trustee, officer, member, partner, or own more than 35 percent of the total (combined) voting power? [Volunteer service on the board of another not-for-profit corporation need not be disclosed.] (see policy item II, B (2))

If yes, please list all such relationships or transactions, including specific information concerning the essential financial terms of any contract or transaction (description of services, duration, consideration, or price) and whether approval of the transaction has been obtained from the Board of Directors.

Table with 2 columns: Name, Type of Relationship. Multiple rows for listing relationships.



II. Please fill out completely. If not applicable, indicate “none”.

- a. Listed below are all corporations, partnerships, or other business entities in which I am a director, officer, member, partner, or manage, or in which I or any member of my immediate family has a substantial financial interest (i.e., owner of 35 percent of the total [combined] voting power or greater):

Entity	Position	Self or Family
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

- b. All not-for-profit institutions (including education institutions) of which I am a trustee, director, or officer, which have a substantial likelihood of being harmed or benefited by any action or policy of Habitat:

Entity	Position
_____	_____
_____	_____
_____	_____
_____	_____

- c. All trusts, of which I am a trustee, or which benefit me or any member of my immediate family, which have a substantial likelihood of being harmed or benefited by any action or policy of Habitat:

Entity	Trustee or Beneficiary	Self or Family
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

I have read and understand Habitat’s Conflicts of Interest Policy, and the foregoing information is true and complete to the best of my knowledge. I also understand that, under some circumstances, liability for interested person transactions may arise up to five years after my service to Habitat has ended.

Dated: _____

Signed: _____