# **CONFLICT OF INTEREST POLICY**

## **Article 1**

## Purpose; Policy; and Conflict of Interest

1. Purpose.

The purpose of this conflict of interest policy is to protect the interests of Villages of Hope, Inc. (the “Corporation”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the corporation or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace, any applicable federal or state laws governing conflicts of interest applicable to nonprofit or all type of corporations.

1. Policy.

The officers and directors of the Corporation occupy a special position of trust and responsibility for its governance. Each officer and director is expected to discharge his or her duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner that the officer or director reasonably believes to be in the best interests of the Corporation. Each officer and director is expected to be loyal to the interests of the Corporation and to avoid improper personal gain from his or her position as an officer or director. It is the policy of the Corporation that it will not engage in a transaction or maintain a relationship with an officer or director or a related person of an officer or director unless the transaction or relationship is on terms which are entirely fair to the Corporation.

1. Conflict of Interest.

A conflict of interest exists when an officer or director of the Corporation has a Financial Interest that might influence such officer’s or director’s judgment in discharging his or her duties to the Corporation as an officer or director of the Corporation. As discussed below, a Financial Interest is not necessarily a conflict of interest.

## **Article II**

## Definitions

1. Interested Person.

Any officer or director who has a direct or indirect Financial Interest, as defined below, is an Interested Person.

1. Financial Interest.

A person has a Financial Interest if the person has, directly or indirectly, through business, investment or family:

* 1. An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement, or
  2. A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or
  3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation currently has or is negotiating a transaction or arrangement

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

A Financial Interest is not necessarily a conflict of interest. Under Article III, Section 2 hereof, a person who has a Financial Interest may have a conflict of interest only if the Interested Person or the Board of Directors of the Corporation determine, based upon a review of all of the relevant facts, that a conflict of interest exists.

1. Confidential Information.

Confidential information is information concerning (a) the business and affairs of the Corporation (which includes historical financial statements, financial projections and budgets, and capital spending budgets and plans), (b) past, present or specifically identified prospective sources of financial support for the Corporation, (c) past, present or specifically identified prospective recipients of financial support from the Corporation, and (d) pending or threatened litigation involving the Corporation.

## **Article III**

## Financial Interest Procedures

1. Duty to Disclose.

In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of his or her Financial Interest and must be given the opportunity to disclose all material facts to the Corporation’s directors considering the proposed transaction or arrangement.

If an Interested Person believes that he or she has a conflict of interest, such person shall recuse himself or herself from all further discussions with respect to the matter giving rise to the conflict of interest and shall not vote on any matters with respect thereto. If an Interested Person is uncertain as to whether he or she has a conflict of interest, he or she shall seek a determination by the Board of Directors as to whether a conflict of interest exists. Such Interested Person shall be bound by a decision of the Board of Directors with respect to the existence of a conflict of interest.

1. 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, the Interested Person shall leave the Board 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.

1. Procedures for Addressing the Conflict of Interest.
2. An Interested Person may make a presentation at the Board meeting, but after such presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
3. The remaining directors shall, if they, in their sole discretion, determine appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
4. After exercising due diligence, the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with the reasonable efforts from a person or entity that would not give rise to a conflict of interest.
5. 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 shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Corporation’s best interest and for its own benefit and whether the transaction is fair and reasonable to the Corporation and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.
6. Violations of the Conflict of Interest Policy Regarding Financial Interests.
7. If the Board of Directors has reasonable cause to believe that an officer or director has failed to disclose an actual or possible conflict of interest, it shall inform the officer or director of the basis for such belief and afford the officer or director an opportunity to explain the alleged failure to disclose.
8. If, after hearing the response of the officer or director and making such further investigation as may be warranted in the circumstances, the Board of Directors determines that the officer or director has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, which may include recommending terminating such person’s capacity with the Corporation.

## **Article IV**

## Records of Proceedings

The minutes of meetings of the Board of Directors shall contain:

1. 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, a description of any action taken and any data relied upon to determine whether a conflict of interest was present, and the Board of Directors’ decision as to whether a conflict of interest in fact existed.
2. 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 therewith.

## **Article V**

## Compensation

A voting member of the Board of Directors who receives compensation, directly or indirectly, from the corporation for services is precluded from voting on matters pertaining to that person’s compensation.

## **Article VI**

## Confidentiality

1. Restricted Use of Confidential Information.

Each officer and director acknowledge the confidential and proprietary nature of the Confidential Information. Each officer and director agree that he or she will only use Confidential Information in furtherance of Corporation purposes. Except as otherwise provided for herein or by resolution of the Board of Directors, each officer and director agrees that the Confidential Information (a) will be kept confidential by such officer and director and (b) without limiting the foregoing, will not be disclosed by such officer or director to any person without the prior written consent of the Board of Directors of the Corporation.

1. Exceptions to Restrictions on Confidential Information.

The foregoing obligations and restrictions with respect to Confidential Information do not apply to that part of the Confidential Information that an officer or director demonstrates (a) was generally available to the public prior to, and other than as a result of, a disclosure by such officer or director, (b) was available to an officer or director on a non-confidential basis prior to its disclosure to such officer or director in connection with such individual’s capacity as an officer or director of the Corporation, or (c) is required to be disclosed by law.

1. Violations of the Restrictions on Confidential Information.
2. If the Board of Directors has reasonable cause to believe that an officer or director has violated his or her obligation with respect to Confidential Information, it shall inform such officer or director of the basis for such belief and afford the officer or director an opportunity to explain the alleged violation.
3. If, after hearing the response of the officer or director and making such further investigation as may be warranted in the circumstances, the Board of Directors determines that the officer or director has in fact violated his or her obligation with respect to Confidential Information, it shall take appropriate disciplinary and corrective action, which may include legal action against such person and/or terminating such person’s capacity with the Corporation.

## **Article VII**

## Annual Statements

Each officer and director of the Corporation shall annually sign a statement which affirms that such person:

1. Has received a copy of the conflict of interest policy;
2. Has read and understands the policy;
3. Has agreed to comply with the policy; and
4. Understands that the Corporation is a charitable 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.