

MINIMUM PARAMETERS REQUIRED FOR CONFLICT OF INTEREST POLICY

The purpose of a conflicts of interest policy is to protect the NeighborWorks® organization's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the NeighborWorks® organization. Such policy should supplement and be consistent with, but not replace, any applicable Federal, state or local laws governing conflicts of interest applicable to nonprofit and charitable corporations.

Define Conflict of Interest

Who? Interested Persons (Directors and Officers of the NeighborWorks® organization).

What? Interested Person having a Financial Interest, directly or indirectly, through business, investment or family, in a transaction or arrangement involving the NeighborWorks® organization.

Procedure for Resolving Conflict of Interest

How? Duty of Disclosure by Interested Person of existence and nature of actual or potential conflict of interest to Disinterested Directors, those who are not Interested Persons, in a transaction or arrangement involving the NeighborWorks® organization.

Recusal by Interested Person after Disclosure from deliberations by Disinterested Directors on the transaction or arrangement.

Decision by Majority of Disinterested Directors approving such transaction or Arrangement after exercising appropriate Due Diligence.

Standard for Determining Existence of Conflict of Interest and Approval of Transaction or Arrangement by Disinterested Director

Can NeighborWorks® organization 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?

If no, is the transaction or arrangement in the NeighborWorks® organization's Best Interest, for its Own Benefit, and Fair and Reasonable to the NeighborWorks® organization.

Documenting Procedure for Resolving Conflict of Interest

Record in Minutes of Board of Directors, names of persons participating in the deliberations, summary of discussion, including proposed alternatives, and record of votes taken in connection with final determination.

Annual Statements

Each Interested person shall annually sign a statement, affirming that such person has:

- Received copy of conflicts of interest policy,
- Read and understands the policy,
- Agreed to comply with the policy,
- Understands that the NeighborWorks® organization is a charitable organization with federal tax exempt status and it must engage primarily in activities that accomplish its tax-exempt purpose(s).

Periodic Review of Conflicts of Interest Policy and its Requirements

To ensure NeighborWorks® organization operates consistent with its charitable purposes and does not engage in activities that could jeopardize its exemption from federal income tax.

Model Conflicts of Interest Policy
(Adapted from the IRS's model conflict of interest policy)

The purpose of the conflicts of interest policy is to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation. This policy is intended to supplement but not replace any applicable Federal, state or local laws governing conflicts of interest applicable to nonprofit and charitable corporations.

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.

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 the Corporation has a transaction or arrangement, (b) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A Financial Interest is not necessarily a conflict of interest. A person who has a Financial Interest may have a conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

Duty to Disclose. In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence and nature of his/her Financial Interest and must be given the opportunity to disclose all material facts to the directors (or members of the appropriate committee with board delegated powers) considering the proposed transaction or undertaking.

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 or committee meeting while the determination of a conflict of interest is discussed and voted upon. After exercising due diligence, the board or committee, if appropriate, shall determine whether the Corporation 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. 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 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. The minutes of the board and all committees with board-delegated powers shall record the names of all persons participating in the meeting, a summary of the discussion, including any proposed alternative arrangements, and a record of any votes taken in connection with the final determination.

To be considered fair and reasonable and to avail itself of the rebuttable presumption of reasonableness under the IRS's excess benefit transaction regime, 26 U.S.C. § 4958, fair and reasonable requires that the Corporation use comparability data, meaning that the Corporation has looked at similar transactions by at least three similar entities if the Corporation has annual gross receipts (including contributions) of less than \$1 million (or more than three similar transactions for larger Corporations). A fair and reasonable transaction is generally an arms-length transaction.

Annual Statements. Each director, principal officer and member of a committee with board delegated powers, shall annually sign a statement which affirms that 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 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.

Periodic Reviews. To ensure that the Corporation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews of the conflicts of interest policy and requirements shall be conducted.