

THE MIGHTY HERO HOME FOUNDATION
Conflict of Interest Policy

Article I –Purpose

The purpose of the conflict-of-interest policy is to protect The Mighty Hero Home Foundation. (hereinafter the “Organization”) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might otherwise 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.

Article II – Definitions

A. Conflict of Interest

A conflict of interest is a set of circumstances that creates a risk that professional judgment or actions regarding a primary interest will be unduly influenced by a secondary interest.

For purposes of this provision, the term "interest" shall include personal interest, interest as director, officer, member, stockholder, shareholder, partner, manager, trustee, or beneficiary of any concern and having an immediate family member who holds such an interest in any concern. The term "concern" shall mean any corporation, association, trust, partnership, limited liability entity, firm, person, or other entity other than the organization.

B. Interested Person

An interested person includes: any director, officer, key employee, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below.

C. Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- i. An ownership or investment interest in any entity with which the Organization has a transaction or arrangement.
- ii. A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement.
- iii. Within the last three years, been an employee of the organization or of an affiliate of the organization or who has a relative who is, or has been within the last three years, a key employee of the organization or of an affiliate.

- iv. Received, or who has a relative who has received, in any of the last three fiscal years of the organization, more than \$10,000 in direct compensation from the organization or from an affiliate of the organization (other than reimbursement for expenses reasonably incurred as a director or reasonable compensation for service as a director)
- v. Current employment with, or a substantial financial interest in, any entity that has made payments to, or received payments from, the organization or an affiliate of the organization for property or services in an amount which, in any of the last three fiscal years, exceeds the lesser of \$25,000 or two percent of the organization's consolidated gross revenues.
- vi. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization 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 appropriate governing board or committee decides that a conflict of interest exists.

D. Related Party

A Related Party includes officers and directors of the organization, as well as officers and directors of any affiliates of the organization. Also included are relatives of those persons and entities at least 35% owned by such persons.

E. Related Party Transaction

Related Party Transactions are defined as transactions between the organization, or any of its affiliates, and a Related Party.

Article III – Procedures

A. Duty to Disclose

Prior to initial election and annually thereafter, each director must submit to the Secretary a signed written statement identifying, to the best of the director's knowledge, (1) any entity of which the director is an officer, director, trustee, member, owner or employee, with which the organization has a relationship; and (2) any transaction in which the organization is a participant and in which the director might have a conflicting interest. The Secretary must provide copies of all such statements to the chair of the Audit Committee or, if none, to the chair of the Board.

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest to the Audit Committee or, if there is no

Audit Committee, to the Board of Directors, and be given the opportunity to disclose all material facts considering the proposed transaction or arrangement.

B. 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 Audit Committee or Board of Directors meeting while the determination of a conflict of interest is discussed and voted upon, to preclude any attempt by the conflicted person to influence improperly the deliberations or voting on the matter.

The remaining Audit Committee or Board of Directors members shall decide if a conflict of interest exists. The existence and resolution of the conflict shall be contemporaneously documented in the Organization records, including minutes of any meeting where the conflict is discussed or voted on.

C. Procedures for Addressing the Conflict of Interest

All potential conflicts that are disclosed shall be addressed in the following manner:

- i. An interested person may make a presentation at the governing board or committee 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.
- ii. The chairperson of the Audit Committee or Board of Directors shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- iii. After exercising due diligence, the Board of Directors or Audit Committee shall determine whether the Organization 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.
- iv. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Audit Committee of Board of Directors shall determine by a majority vote of the independent directors whether the transaction or arrangement is in the Organization'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.

D. Related Party Transactions

All Related Party Transactions must be disclosed and shall be addressed in the following manner:

- i. The Organization may not enter into a related party transaction unless the Board of Directors determines that the transaction is fair, reasonable and in the organization's best interest at the time of determination.
- ii. A director, officer or key employee who has an interest in a related party transaction must disclose in good faith to the Board of Directors or an authorized Board committee the material facts concerning such interest.
- iii. Additional restrictions and procedures may be set forth in the organization's governing documents or a policy adopted by the Board.
- iv. No related party with an interest in a related party transaction may participate in deliberations or vote on the related party transaction, except that the Board or an authorized committee may request that such related party present information concerning the transaction at a meeting of the Board or such committee prior to commencement of deliberations or voting thereon.
- v. Related Party Transactions are likely potential conflicts of interest and shall thus be disclosed, addressed, and documented in accordance with the procedures outlined in Article III, Sections A through C.

E. Violations of the Conflicts of Interest Policy

If the Board of Directors or Audit Committee has reasonable cause to believe 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.

If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member 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 of Directors and all committees with board delegated powers shall contain:

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 governing boards or committee's decision as to whether a conflict of interest in fact existed.

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

No person who may benefit from a compensation arrangement may be present at or otherwise participate in any Board or committee deliberation or vote concerning that person's compensation, except that the Board or committee may request that the person present information as background or answer questions at a committee or Board meeting prior to the commencement of deliberations or voting thereon.

No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI - Annual Statements

Each director, officer, and member of a committee with governing 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.
- D. Understands the Organization is charitable and 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 the Organization 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 the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable

purposes and do not result in inurnment, 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, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.