

## CONFLICT OF INTEREST POLICY

### Article I: Purpose

The purpose of the Conflict of Interest Policy is to protect Choice Charter School, Inc.'s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Member Director, Officer, or Committee Member of Choice Charter School, Inc. 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 charter schools, nonprofit and charitable organizations.

The Board of Directors shall establish a Conflict of Interest policy for Choice Charter School, Inc.'s employees including staff, teachers, principals, and administrators and such policy shall not be inconsistent with this policy.

### Article II: Definitions

1. Committee Member. "Committee Member" is defined as a person who has been appointed, nominated or voted onto a committee that has been established by the Board of Directors of Choice Charter School, Inc.
2. Director. "Director" is defined as a voting member of the Board of Directors of Choice Charter School, Inc.
3. 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 Choice Charter School, Inc. has a transaction or arrangement,
  - b. A compensation arrangement with Choice Charter School, Inc. or with any entity or individual with which Choice Charter School has a transaction or arrangement, or
  - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Choice Charter School, Inc. 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 IV, 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.

4. Interested Person. "Interested person" is defined as any director, officer, member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person
5. Member. "Member" is defined as a Founding Member as set forth in the Bylaws and/or Articles

of Incorporation of Choice Charter School, Inc.

6. Officer. "Officer" is defined as a person holding an office on the Board of Directors.

#### Article III: Nepotism

1. Payments. It is prohibited for any person elected or appointed as a Director of Choice Charter School, Inc., or helper of said Director to be paid from the public funds, any person related by consanguinity or affinity, within the third degree, to the Director unless such appointment shall first be approved by the Founding Members or Board of Directors of Choice Charter School, Inc.; provided this provision shall not apply in cases where such person appointed receives compensation at the rate of \$600 per year or less, nor shall it apply to persons acting as principal, administration, teachers or staff at Choice Charter School, Inc.

2. Employment. The spouse of a Director of Choice Charter School, Inc. may be employed by or contracted with Choice Charter School, Inc. A Director whose spouse is so employed or contracted with should abstain from voting on issues where actual or potential conflicts of interest exists.

#### Article IV: Conflict of Interest

1. Conflict of Interest Generally. Members, Directors, Officers and Committee Members must endeavor to remain free from the influence of, or appearance of, any conflicting interest in acting on behalf of Choice Charter School, Inc. Actual or potential conflicts of interest may arise from the interests of an interested individual or an interested individual's spouse, significant other, or a family member. Such interests may include, but are not limited to, employment, ownership of, or service on the board of directors of an organization that has or may have a relationship with the Choice Charter School, Inc. and/or the Board of Directors of Choice Charter School, Inc. A Member, Director, Officer or Committee Member of Choice Charter School, Inc. shall not have an interest, direct or indirect, in a contract for the purchase of goods, including materials and profits, and the performance of services for Choice Charter School, Inc., except as set forth in this Article. Conflicts of Interest apply to situations where the Member, Director, Officer, or Committee Member may only have an ownership interest in a corporation or company contracting with Choice Charter School, Inc.

2. Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest or any other interest that may create an actual or potential conflict of interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement. Actual or potential conflicts of interest must be disclosed no less than annually and supplement such disclosures as new interests or conflicts arise.

3. Student Director Interest. The Board of Directors is required to have a student as a member of the Board. Such student's interest in Board determinations of tuition and other policies is not deemed to constitute an impermissible conflict of interest.

4. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest or other potential conflict of interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Members, Directors, Officers or Committee Members shall decide if a conflict of interest exists.

5. Procedures for Addressing the Conflict of Interest.

a. An interested person shall recuse themselves from voting on or participating in any matter that involves the conflict of interest. In unusual situations, the interested person may have to divest his or herself from the interest or resign from the conflicting position.

b. 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.

c. When an interested person has an interest, direct or indirect, in an entity proposing to offer a product or service to Choice Charter Schools, Inc., the interested person shall not be allowed access to any information regarding the proposed transaction or any competing entity that is not otherwise available to the public and or all entities competing under the proposed transaction. In the event of any dispute concerning the foregoing, the matter shall be referred to legal counsel.

d. The Members, Board of Directors, Officers, or committee may investigate, or the chairperson of the governing board or committee shall, if appropriate, may appoint a disinterested person or committee to investigate whether a conflict of interest exists and/or whether alternatives to the proposed transaction or arrangement. In the event of any dispute concerning the foregoing, the matter shall be referred to legal counsel.

e. After exercising due diligence, the Members, Board of Directors, Officers, or committee shall determine whether a conflict of interest exists and/or whether Choice Charter School, Inc. 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.

f. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Members, Board of Directors, Officers, or committee shall determine by a majority vote of the disinterested members, directors, or committee members whether the transaction or arrangement is in Choice Charter School, Inc.'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.

g. An interested person and the governing board or committee shall act in accordance with the decision of the Members, Board of Directors, Officers, committee, and/or legal counsel.

6. Violations of the Conflicts of Interest Policy.

a. If the Members, Board of Directors, Officers or committee has reasonable cause to believe a Member, Director, Officer, or Committee Member has failed to disclose actual or possible conflicts of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.

b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the Members, Board of Directors, Officers, or committee determines the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, including, but not limited to, removal from the Members, Board of Directors, Officers, or committee.

#### Article V: Records of Proceedings

1. Minutes. The minutes of the Members, Board of Directors, Officers, and all committees with board delegated powers shall contain:

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 governing board or committee'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 VI: Compensation

1. Compensation.

a. A voting member of the Members, Board of Directors or Officers who receives compensation, directly or indirectly, from Choice Charter School, Inc. 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 Choice Charter Schools, Inc. for services is precluded from voting on matters pertaining to that member's compensation.

c. No voting member of the Members, Board of Directors, Officers, or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from Choice Charter School, Inc., either individually or collectively, is prohibited from providing information to the Members, Board of Directors, Officers or any committee regarding compensation.

## Article VII: Textbooks/School Supplies

A Member, Director, Officer or Committee Member shall not act as agent for school textbooks or school supplies, including sports apparel or equipment, in any transaction with Member, Director, Officer or Committee Member of Choice Charter School District, Inc. during such term of office or employment. Advertising specialty and novelty items which are not used for instructional purposes are not school supplies to which this Article applies.

## Article VII: Annual Statements

1. Annual Statement. Each Member, Director, Officer and Committee Member 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, and
- d. Understands Choice Charter School, Inc. is a charitable organization 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 VIII: Periodic Reviews

1. Reviews. To ensure Choice Charter School, Inc. 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 Choice Charter School, Inc.'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.

2. Outside Experts. When conducting the periodic reviews, Choice Charter School, Inc. 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.