

CONFLICTS OF INTEREST CODE PURSUANT TO CALIFORNIA CORPORATIONS CODE**Adoption**

The Board of Directors of Charter School (“Board”) hereby adopts this Conflict of Interest Code (the “Code”), which shall apply to all governing board members, candidates for members of the board and all other designated employees of the Charter School.

**Designated Employees and Common Directors**

“Designated Employees” are those directors, officers and/or employees of Charter School with significant powers delegated to them by the Board, who have a direct or indirect material Financial Interest in a contract or transaction presented for authorization, approval or ratification to the Board, or a committee thereof. **[Note: Technically, the Corporations Code only applies to directors, not employees. It is best practice, however, to include officers and employees in the conflict of interest policy.]**

“Common Directors” are those Directors that sit on the Board of Directors and the board of directors of another corporation with which Charter School is considering entering a contract or transaction.

“Financial Interests” are when directors, officers and/or employees, or their family members, are compensated by the School for services rendered to it within the previous 12 months, whether as a full- or part-time employee, independent contractor or otherwise, excluding any reasonable compensation paid to a director as director. A director, officer and/or employee also 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 organization has a transaction or arrangement; 2) a compensation agreement with any entity or individual with which the School 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 School is negotiating a transaction or arrangement.

**Designated Employee Disclosure**

Any Designated Employee shall make a good faith, full disclosure of the material facts relating to the transaction and that person’s material financial interest in the transaction prior to the acceptance of the potential contract or transaction. The disclosure must be reflected in the minutes of the meeting of the Board of Directors or a Committee thereof. Such disclosure shall include any known material facts concerning the transaction and the designated employee’s interest in the transaction.

## **Designated Employee Transactions/Contracts**

### **Board Vote**

Once the Board has knowledge of the material facts as disclosed by the Designated Employee, the Board may authorize the contract or transaction in good faith by a majority vote sufficient for that purpose, without counting the votes of the Designated Employee(s). (The Designated Employees may be counted in determining whether a quorum is present.)

The following must be confirmed in the affirmative prior to the Board's acceptance of a contract or transaction with a Designated Employee:

- That the transaction is entered into for the benefit of the Charter School;
- That the transaction was fair and reasonable for the Charter School at the time it enters into the transaction;
- That after reasonable investigation under the circumstances, the Board determines, in good faith, that the Charter School could not have obtained a more advantageous arrangement with reasonable effort. Documentation of the results of the investigation shall be retained either in the Board minutes and/or in the school's financial files.

### **Committee Vote**

A Committee may approve a transaction or contract involving a Designated Employee if, in addition to findings listed above for a Board Vote, it was not reasonably practicable to obtain full Board approval prior to entering into the transaction or contract and the Committee was authorized in the first instance to approve such a transaction or contract. Additionally, the full Board must ratify the transaction or contract at its next board meeting by a majority vote of the Directors then in office without counting the vote of the Designated Employee(s).

## **Common Director Disclosure**

Any Common Director shall make a good faith disclosure regarding that Director's other directorship prior to the acceptance or ratification of the potential contract or transaction involving the Director's other directorship. The disclosure must be reflected in the minutes of the meeting of the Board of Directors or a Committee thereof. Such disclosure shall include the material facts as to the transaction and as to such director's other directorship.

## **Common Director Transactions/Contracts**

### **Board Vote**

Once the Board has knowledge of the material facts as disclosed by the Common Director, the Board may authorize the contract or transaction in good faith by a majority vote sufficient for that purpose, without counting the votes of the Common Director.

No contract or transaction is void or voidable because the Common Director participated in the Board meeting if the required disclosure is made and vote is satisfied; or alternatively, if there is a finding that the contract or transaction was just and reasonable at the time it was authorized.

#### Committee Vote

A Committee may approve a transaction or contract involving a Common Director by following the procedures listed for the Board above, as long as that Committee was authorized to approve the transaction or contract.

#### **Disclosure Statement [This provision is optional]<sup>1</sup>**

At the commencement of an individual's term with the Charter School and at the beginning of each fiscal year, each board member and officer shall complete a Conflict of Interest Disclosure Statement, in the form of the document attached hereto, for review by the Board.

#### **Interested Directors**

**Interested Directors:** Not more than 49 percent of the persons serving on the Board of the Charter School may have a Financial Interest.

#### **Non-Application of Policy**

This policy does not preclude a Director from serving the Charter School in any other capacity, such as an officer, agent, employee, independent contractor, or otherwise, and receiving compensation for those services, so long as the employment is disclosed and the employment or other financial relationship is approved by the Board, without the interested Director participating in the vote.

This policy does not apply to transactions that are part of a public or charitable program of the Charter School if the Charter School approves the transaction in good faith and without unjustified favoritism and results in a benefit to one or more directors or their families because they are in the class of persons intended to be benefited by the public or charitable program.

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<sup>1</sup> A disclosure statement is not required by law, but provides an additional level of review for the Board to ensure that there are no conflicts of interest.

