

CAMINO NUEVO CHARTER ACADEMY
CONFLICTS OF INTEREST POLICY



ARTICLE I

PURPOSE

The purpose of this Conflicts of Interest Policy is to protect the Academy's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interests of a director, officer or key employee of the Academy. Camino Nuevo Charter Academy shall comply with Government Code Section 1090.

ARTICLE II

DEFINITIONS

1. "Interested Person"

Each director, officer or key employee of the Academy who has a financial interest is an "interested person."

2. "Financial Interest"

A director, officer or key employee of the Academy has a "financial interest" if the person, or any member of the person's family:

- a. Has, or proposes to enter into, a transaction for the sale of goods or services with the Academy;
- b. Has an ownership or investment interest in any entity with which the Academy has, or proposes to enter into, a transaction for the sale of goods or services, or
- c. Has, or proposes to enter into, a compensation arrangement with the Academy or with any entity or individual with which the Academy has, or proposes to enter into, a transaction or arrangement.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest has a conflict of interest only if the interest involves a compensation arrangement described in Article III or, in all other cases, the board decides that a conflict of interest exists under the procedures of Article IV.

3. For purposes of this Article II, a person's family includes the person's spouse, siblings (by whole or half blood), spouses of siblings, children, grandchildren, spouses of children or grandchildren, parents and grandparents.

4. A person who does not currently have an ownership or investment interest in an entity but contemplates or is considering acquiring such an ownership or investment interest shall be deemed to have a financial interest for purposes of this policy.

09/18/19

5. Compensation includes remuneration for services rendered, as well as gifts or favors that are substantial in nature.

ARTICLE III COMPENSATION ARRANGEMENTS

1. Procedures for Approving Compensation Arrangements.

a. Except as otherwise provided, all situations involving the establishment and payment of compensation by the Academy to a director, officer or key employee for services rendered *per se* involves a conflict of interest. The board shall follow the following procedures in approving the amount of compensation to be paid by the Academy to any director, officer or key employee.

b. Prior to the meeting at which the board is to consider the approval of such compensation, the Chief Executive Officer (or, if the Chief Executive Officer's compensation is at issue, any other officer selected by the board) shall collect appropriate comparability data, such as competing offers received from other organizations for comparable services, opinions of compensation consultants, amounts paid by other organizations for comparable services and published compensation surveys.

c. The director, officer or key employee whose compensation is at issue shall be present at the board meeting at which the compensation is to be considered to answer any questions of the members of the board and may, if he or she desires, make a reasonable, factual presentation to the board. However, after answering any questions that the board members may have and making any reasonable, factual presentation, the director, officer or key employee shall leave the meeting and shall not participate in any discussion or debate on the subject and shall not participate in any voting.

d. In addition, all other board members who are not disinterested shall recuse themselves from the meeting, briefly noting the nature of the matter that precludes them from being disinterested, and shall refrain from participating in any discussion or debate concerning the matter or from voting thereon. A board member is not disinterested for this purpose if:

- the board member and the person whose compensation is at issue are family members (as "family" is defined in Article II);
- the board member receives compensation or other periodic payments subject to the review and/or approval of the person whose compensation is at issue; or

- the director has or anticipates having a financial interest that the person whose compensation is at issue will be reviewing or approving as a board member.

e. The disinterested board members then shall consider the comparability data presented to them and shall determine whether, in light of such comparability data, the proposed compensation, together with all pension and other employee benefits to be provided, is fair and reasonable to the Academy.

f. The minutes of the board meeting at which any such compensation arrangement is considered shall reflect: (i) the persons present for any portion of the meeting; (ii) the persons who recused themselves from the meeting, the point in the meeting when they recused themselves and the reasons therefore; (iii) the nature of the comparability data considered; (iv) a summary of the board's analysis, based on the comparability data, supporting its decision that the compensation amount is fair and reasonable; and (v) the vote taken.

2. Exceptions.

Notwithstanding the foregoing, action by the board in fixing a uniform level of compensation for all board members for services rendered *as board members* shall not be regarded as a conflict of interest subject to the foregoing procedures, provided that: (i) before the board approves any such compensation, the Chief Executive Officer shall present comparability data as to the amount of compensation paid by other comparable organizations for director services; and (ii) the board makes an affirmative finding that the compensation being approved is reasonable in light of the comparability data presented. The minutes of any meeting at which such compensation was approved shall reflect: (i) the nature of the comparability data presented; and (ii) the nature of the board's analysis based, on the comparability data, supporting its decision that the compensation so approved is fair and reasonable.

ARTICLE IV

PROCEDURES IN ALL OTHER CASES



1. Application.

The procedures of this Article IV shall apply in all cases involving a financial interest other than compensation arrangements described in Article III.

2. Duty to Disclose.

a. If a director, officer or key employee is an interested person with respect to a transaction or arrangement or proposed transaction or arrangement involving the Academy, he or she shall disclose the existence of his or her financial interest to the Academy's Chief Executive Officer (or, if the interested person is the Chief Executive Officer, to the Academy's Secretary). The interested person shall disclose all material facts pertinent to the financial interest.

An interested person shall make such disclosure as soon as practicable after becoming aware of the financial interest.

b. The board shall adopt and periodically review a form designed to elicit the identification and disclosure of arrangements and relationships that are or likely are to become financial interests, and all directors, officers and key employees of the Academy shall complete and sign such forms on an annual basis and return the same to the Chief Executive Officer.

3. Determining Whether a Conflict of Interest Exists

a. The Chief Executive Officer (or Secretary) shall provide notice of all disclosed financial interests by way of a written summary of the relevant facts to the members of the board, and the board shall consider and make a determination whether the financial interest is a conflict of interest at its next meeting at which the issue practicably may be considered. The Chief Executive Officer (or Secretary) shall, to the extent practicable, provide such notice in advance of the meeting at which it is to be considered.

b. The interested person shall be given an opportunity to make a reasonable, factual presentation to the board concerning the financial interest and he or she shall be available to answer questions of all board members. If the interested person is a board member, the person's presence shall be counted toward a quorum at the meeting. However, once an interested person has made whatever reasonable, factual presentation he or she desires to make, and the board members have asked whatever questions they may have of the interested person, the interested person shall recuse himself or herself from the meeting and shall not be present or otherwise participate in any board discussion or debate of the financial interest and shall not vote on the determination of whether the financial interest represents a conflict of interest.

c. In addition, any other board members who are not disinterested in the matter shall recuse themselves from the meeting, briefly noting the nature of the matter that precludes them from being disinterested, and they shall refrain from participating in any discussion or debate concerning the matter and from voting thereon. The standards set forth in Article III shall apply in determining whether a board member is not disinterested.

d. In determining whether a conflict of interest exists, the board shall consider the materiality of the financial interest, including, in the case of an ownership or investment interest, the amount of the interested person's ownership or investment interest, both in absolute dollar amount and relative to the ownership or investment interests of others. In general, the board shall find a financial interest to be a conflict of interest if it is so material that it reasonably could influence or affect a reasonable person's decision relative to the approval of the transaction or arrangement at issue.

4. Procedures for Addressing the Conflict of Interest

a. If the board determines that a financial interest constitutes a conflict of interest, the disinterested members of the board shall observe the following procedures in determining whether to approve that transaction or arrangement that gives rise to the conflict.

b. In advance of the meeting at which the board is to consider the transaction or arrangement, the Chief Executive Officer shall cause information to be collected concerning: (i) whether there are alternatives to the proposed transaction or arrangement that do not involve a conflict of interest; and (ii) information as to the fair market value of property or services to be exchanged in the transaction or arrangement, such as competing offers received by the Academy or other entities, qualified opinions of value and published surveys and statistical information.

c. After review and discussion of the information obtained by the Chief Executive Officer, the board shall determine whether the Academy 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.

d. 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 Academy's best interest and for its own benefit, and whether the transaction is fair and reasonable to the Academy. Based on such analysis, the board shall then determine whether to enter into the transaction or arrangement in conformity with such analysis.

5. Records of Proceedings

The minutes of the board shall contain--

a. the names of all persons who disclosed or otherwise were found to have a financial interest or conflict of interest in connection with an actual or possible conflict of interest, the nature of the financial interest or other conflict of interest, any action taken to determine whether a conflict of interest was present, and the Board'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 or other conflict, the content of the discussion, including any alternatives to the proposed transaction or arrangement if applicable to the situation, the information that the board considered and relied on in making its decision and a record of any votes taken in connection therewith.

ARTICLE V


VIOLATIONS OF THE CONFLICTS OF INTEREST POLICY

1. If the board has reasonable cause to believe that a director, officer or key employee has failed to disclose a financial interest, it shall inform the director, officer or key employee of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.

2. After hearing the response of the director, officer or key employee and making such further investigation as may be warranted in the circumstances, the potentially interested person shall recuse himself or herself from the meeting, and the board, by a majority of the disinterested directors, shall determine whether the director, officer or key employee has in fact failed to disclose an actual or possible conflict of interest. If the board finds that the director, officer or key employee has failed to disclose an actual or possible conflict of interest, it shall take whatever disciplinary and corrective action it determines in its discretion is appropriate, such as, without limitation, the removal of such a director from the board, the termination of such an officer or key employee, a demand that the director, officer or key employee return any consideration received in the transaction or arrangement that was unfairly obtained, and notifying appropriate government officials and agencies.

ARTICLE VI

COMMITTEES

 The Executive Committee (and any other committee, composed only of directors, to which the board has delegated its authority to review and approve transactions or arrangements involving potential conflicts of interest) may act in place of the board in determining whether a financial interest constitutes a conflict of interest and whether to approve the transaction only if it was not reasonably practical to obtain board review and approval prior to entering into the transaction or arrangement. In making any such determinations, the Executive Committee (or such other committee) shall strictly observe the procedures set forth in this policy, and the full board, at its next meeting, shall review the proceedings of the Executive Committee (or such other committee) and shall determine whether these procedures were so observed. If the board finds that such procedures were observed, it shall ratify the decision of the Executive Committee (or other committee). If the board finds that the Executive Committee (or other committee) did not observe such procedures, it then shall consider what corrective action shall be taken.

ARTICLE VII

ANNUAL STATEMENTS

Each director, officer and key employee shall annually sign a statement, on a form approved by the board, which affirms that such person has received a copy of the conflicts of interest policy, has read and understands the policy, has agreed to comply with the policy, and

understands that the Academy 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.

Board Approved: _____



Date: _____



$$m_{\text{eff}} = \frac{1}{2} \left(\frac{1}{m_1} + \frac{1}{m_2} \right) \quad (1)$$