



**BROOKE HOUSE ACADEMY, INC.
CONFLICT OF INTEREST POLICY**

Brooke House Academy, Inc. (the "School") has adopted this conflict of interest policy (the "Policy"). The Policy is maintained to comply with the Government Code Section 1090, the Political Reform Act, Corporations Code Conflicts of Interest rules, and any private school-specific conflicts of interest regulations. The Policy is intended to supplement but not replace any applicable state and federal law that governs conflict of interest applicable to nonprofit and tax-exempt charitable organizations.

PURPOSE

The purpose of the Policy is to protect the interests of the School when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, or employee of the School or might result in a possible excess benefit transaction.

DEFINITIONS

1. **Interested Person:** Any director, officer, key employee or member of a committee with board- delegated powers of the School, who has a direct or indirect financial interest, as defined below, is an interested person ("Interested Person").
2. **Financial Interest:** A person has a financial interest if the person has, directly or indirectly, through business, investment, or through a family member:
 - a. an ownership or investment interest in any entity with which the School has a transaction or arrangement,
 - b. a compensation arrangement with the School or with any entity or individual with which the School has a transaction or arrangement,
 - c. 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, or
 - d. received compensation from the School for services rendered to it within the previous 12 months, whether as a full-time or part-time employee, independent contractor, or otherwise, excluding any reasonable compensation paid to a director as director; and any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in- law, son-in-law, daughter-in-law, mother-in-law, or father-in-law of such person.

Compensation includes direct and indirect compensation, as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. An Interested Person has a conflict of interest only if the Board of Directors (the "Board") decides that a conflict of interest exists.

COMPENSATION

A member of the Board (i.e., a "Director") who receives compensation, directly or indirectly, from the School for services rendered other than his or her services to the School as a Director, is precluded from voting on matters pertaining to that Director's compensation.

A member of any committee with Board-delegated powers whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the School for services rendered other than his or her services to the School as a Director, is precluded from voting on matters pertaining to that Director's compensation.

Directors may receive reasonable compensation for their services to the School as Directors, provided that such compensation is reasonable compensation for the services so rendered and that such compensation has been approved by the Board.

PROCEDURES

1. Duty to Disclose: In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees considering the proposed transaction or arrangement.
2. 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 or she shall leave the Board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall decide if a conflict of interest exists.
3. Procedures for Addressing the Conflict of Interest:
 - a. When an Interested Person who is NOT a Director determines that he or she should not make a decision because of a financial interest, he or she should submit a written disclosure of the financial interest to his or her immediate supervisor. The supervisor shall immediately reassign the matter to another employee and shall forward the disclosure notice to the Executive Director of the School, who shall record the employee's disqualification. In the case of the Executive Director being an Interested Person, this determination and disclosure shall be made in writing to the Board of Directors (the "Board") of the School.
 - b. When an Interested Person who is a Director determines that he or she should not make a decision because of a financial interest, he or she must immediately notify the Board.
 - c. An interested person may make a presentation to the Board, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
 - d. The chairperson of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - e. After exercising due diligence, the Board shall determine whether the School 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 Board shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in the School'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.
4. Violations of the Conflicts of Interest Policy:
 - a. If the Board has reasonable cause to believe an Interested Person has failed to disclose actual or possible conflicts of interest, it shall inform the Interested 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 Interested Person's response and after making further investigation as warranted by the circumstances the Board determines that the Interested Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, up to and

including removal from the Board or immediate termination, as may be applicable.

RECORDS OF PROCEEDING

The minutes of the Board 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 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, 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.

ANNUAL STATEMENTS

Each Director, officer, and member of a committee with Board-delegated powers shall annually sign a statement that affirms such person:

- a. has received a copy of this Conflict-of-Interest Policy,
- b. has read and understands the Policy,
- c. has agreed to comply with the Policy, and
- d. understands the School is a nonprofit public benefit corporation, which operates a public charter school, and that in order to maintain its federal tax exemption, it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

PERIODIC REVIEWS

To ensure the School operates in a manner consistent with charitable and public purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted.

This Policy shall also be reviewed annually by each Director. Any changes to the Policy shall be communicated immediately to all Interested Persons.