

Policy Title: CONFLICT OF INTEREST	Policy No.	No. of Pages
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- I. **PURPOSE:** To establish a policy to protect the Corporation by: 1) attempting to define Conflicts of Interest, 2) highlighting situations likely to lead to Conflicts of Interest, 3) providing procedures for addressing Conflicts of Interest, and 4) implementing procedures designed to identify Conflicts of Interest.

The Board of Directors of the Corporation shall review this Conflicts Policy and the accompanying procedures periodically to determine if it should be revised or supplemented.

II. **POLICY:**

Directors & Officers: The Directors and Officers of the Corporation shall act at all times in the best interests of the Corporation and in a manner consistent with their duties, which include, but are not limited to, the duties of care and loyalty to the Corporation. Directors and Officers should exercise particular care to conduct their affairs so as to avoid conflicts (or the appearance of conflicts) between their own interests (including the interests of their family members and other related parties) and the interests of the Corporation and the appearance of conflicts of interest.

Employees: Employees of the Corporation and Schools shall act at all times in the best interests of the Corporation and the Schools and shall carry out their duties and responsibilities in such manner as to avoid advocating for, taking, or accepting monetary and non-monetary materials, conditions and benefits that create or appear to create a personal benefit; that are not otherwise available to employees; or that are inconsistent with established policy and regulation and generally accepted professional practice.

Directors, officers and employees are expected to be cognizant of and sensitive to the potential of conflict of interest and to seek guidance and/or determine the appropriateness of any action that could create or appear to create a conflict of interest.

1. **Conflict of Interest**

- a. It is not realistic to expect to define in a complete and absolute manner all actual or potential Conflicts of Interest. Virtually any situation in which a party, or a related party, benefits or stands to benefit at the expense or potential expense of the Corporation or where a party's personal interests are opposed to the Corporation or the School presents a potential Conflict of Interest.

- b. A Conflict of Interest may be defined to include any activity, financial interest in, or relationship with another person or entity that would: (a) impair or appear to impair one's independent judgment in the discharge of his/her duties to the Corporation or School, (b) conflict with the best interests of the Corporation or School, or (c) result in a personal profit or advantage to the party or a related party at the expense of the Corporation or School or its interests.
- c. A Conflict of Interest for employees also includes any action that gives the employee, or a party related to the employee, an advantage or a monetary or non-monetary benefit, not equally and equitably available to all employees.
- d. A Conflict of Interest for Directors and Officers may involve direct and indirect interests, and may arise if a party enters into relationships or takes action or establishes a financial interest for the Director, Officer or a Related Party which compromises his/her ability to act in the Corporation's best interest, or is adverse to the best interests of the Corporation. A Conflict of Interest may also result in the event of a transaction with a former Director, Officer or Related Party of such former Director or Officer. For this purpose former Directors and Officers include individuals who held such position at any time during the five (5) years preceding the transaction.
- e. A Conflict of Interest may also include any unauthorized use of any confidential or proprietary information belonging to the Corporation or School, especially where this results in personal gain.

2. Immediate Family

- a. Immediate family for the purpose of this policy is defined to include ancestors, spouse, siblings, (whole or half-blood), children, grandchildren, great-grandchildren, and the spouses of siblings (whole or half-blood), children, grandchildren and great-grandchildren.
- b. Related Party for a Director or Officer is defined to include immediate Family, any entity in which a Director or Officer or member of such person's Immediate Family is a director, officer, general partner, or managing member, and any entity of which more than five percent (5%) of the stock, partnership interests, membership interests, or other ownership interest is held directly or indirectly by a Director, Officer or a member of their Immediate Family.
- c. For purposes of this Conflicts Policy, the term Officer shall include all corporate officers of the Corporation and all key employees with substantial management and expenditure authority, including, but not limited to, with

respect to the conversion charter schools operated by the Corporation, the Principal and Vice Principal of each conversion charter school.

III. GENERAL:

1. Examples of situations which may result in Conflicts of Interest or potential Conflicts Of Interest and certain prohibited transactions
 - a. When a Director, Officer or a related party of such person has a financial interest in a contract or transaction to which the Corporation or School is also a party, there may be a Conflict of Interest.
 - b. When the Corporation or School enters into a contract or transaction with a related party or any entity in which any member of the Immediate Family of such person simultaneously serves as a director, officer, member or partner, there may be a Conflict of Interest.
 - c. Certain relationships may result in Conflicts of Interest, including where a party or related party provides services, goods or facilities to the Corporation or School; receives grants, services or other benefits from the Corporation or School, or otherwise does business with the Corporation or School.
 - d. A corporate opportunity conflict issue arises and may result in a Conflict of Interest when a Director, Officer or Related Party pursues an investment opportunity or transaction in which the Corporation may also have an interest in a manner which is adverse to the Corporation.
 - e. A Conflict of Interest may arise if a party receives gifts, gratuities, or excessive entertainment from any person or entity with which the Corporation or School has, or is contemplating business dealings with, or to which Corporation or School is providing grants or other support.
2. Certain Prohibited Transactions for Directors and Officers: To ensure compliance with Internal Revenue Service requirements and Hawaii law and to better serve the best interests of the Corporation, (i) the Corporation shall not loan money to, or guaranty the obligations of any Director or Officer (solely for purposes of this clause defined to include only corporate officers as defined in the Bylaws) nor shall any such person or entity seek such a loan or guaranty from the Corporation, (ii) no Director or Officer shall take any action which results in the involvement or the appearance of the involvement of the Corporation in any political campaign, including but not limited to, the endorsement of any candidate for public office action which in any manner implies the Corporation endorses a candidate for public office, and (iii) no Director or Officer shall attempt to influence legislation in any manner on behalf of the Corporation without prior consultation with the President.

3. Procedures to Address Conflicts Of Interest by Directors and Officers:

- a. Directors and Officers must disclose all material facts concerning an actual or potential Conflict of Interest as soon as such potential or actual Conflict of Interest is discovered. Disclosure shall be directed to the Board of Directors via the President or the Secretary, and shall include an understandable description of all relevant facts.
- b. After disclosure of the Conflict of Interest, or potential Conflict of Interest, and all relevant facts related thereto, the Director or Officer with the conflict shall not participate in any discussions relevant to determining if a Conflict of Interest exists and, if so, how it will be addressed. Such person may, however, make a presentation at the Board or relevant Board Committee meeting to disclose the conflict and answer any questions relevant thereto, but, after such presentation, he/she shall leave the meeting during the discussion of and the vote on whether the transaction or arrangement results in the Conflict of Interest and during any discussion and vote on how to address such Conflict of Interest.
- c. If it appears that a Conflict of Interest exists, the Board of Directors or the Chair of the relevant Board committee shall, if appropriate, appoint a disinterested person or a Board Committee to investigate alternatives to the proposed transaction or arrangement. After exercise of such due diligence, the Board or a committee thereof shall determine whether the Corporation 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. 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 or committee thereof shall determine by a vote of not less than a majority vote of the disinterested Board or committee members (but in no event less than two such members) whether the transaction or arrangement is in the Corporation's best interests for its own benefit and fair and reasonable to the Corporation, and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determinations. To be "fair and reasonable", the consideration and terms of the contract or transaction must be at least as favorable to the Corporation as it would have been, in the judgment of the disinterested Board or committee members, in an arm's-length transaction with an unrelated third-party, and be supported by adequate comparability data.
- d. The Board, or committee thereof, shall take all actions necessary and appropriate

to demonstrate and document the fairness and reasonableness of the transaction. Such action shall include, but not be limited to, taking the steps necessary to establish the "rebuttable presumption of reasonableness" described in the Treasury Regulations Section 53.4958-6.

- e. All Directors and Officers annually must complete a "Conflict of Interest Disclosure and Compliance" form. This disclosure form includes information on all actual or potential Conflicts of Interest involving a Director or Officer. As new Directors join the Board and new Officers are elected, he/she must complete the "Conflict of Interest Disclosure and Compliance" form. Completed "Conflict of Interest Disclosure and Compliance" forms shall be retained by the Corporation. All such information shall be held in confidence unless the best interests of the Corporation dictates otherwise. Any disclosure of such form or the information therein shall take place only upon the majority vote of the Board or as may be required by valid legal order.

4. Violations of the Conflicts of Interest Policy

- a. If the Corporation or School has reasonable cause to believe that a party has committed a Conflict of Interest, or has failed to disclose actual or possible Conflicts of Interest, it shall inform such person of the basis for such belief and afford such person an opportunity to explain the alleged failure to disclose. If, after hearing the response, and making such further investigation as may be warranted under the circumstances, it is determined that the party has in fact committed a Conflict of Interest, or has failed to disclose an actual or possible Conflict of Interest, appropriate disciplinary and corrective action shall be taken.
- b. The record addressing Conflict of Interest issues shall contain at a minimum: (i) the names of the person(s) who disclosed or otherwise were found to have a potential or actual Conflict of Interest, and the nature of the Conflict of Interest, (ii) the content of the investigation or discussion including any alternatives to the proposed, and (iii) disciplinary or corrective action taken.