

APPENDIX 4.4: CONFLICT OF INTEREST POLICY

Chicago Preparatory Charter School Conflict of Interest Policy – DRAFT

Purpose:

The purpose of the conflict of interest policy is to protect Chicago Preparatory Charter Middle School’s interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director, employee of Chicago Preparatory Charter Middle School, or their family members. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

Definitions:

1. Interested Person: Any director, officer, key employee or member of a committee with Board-delegated powers, who has a direct or indirect financial interest, as defined below, is an 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 Chicago Preparatory Charter Middle School has a transaction or arrangement.
 - b. A compensation arrangement with Chicago Preparatory Charter Middle School or with any entity or individual with which Chicago Preparatory Charter Middle 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 Charter Preparatory Charter Middle School is negotiating a transaction or arrangement.
3. Family Member. The term “family member” shall include the spouse, life partner, parent, child, sibling, and mother-, father-, sister-, or brother-in-law of a person.
 - a. Compensation includes direct and indirect compensation, as well as gifts or favors that are not insubstantial.

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. Procedures for Addressing the Conflict of Interest
 - a. When an Interested Person who is NOT a director determines that he/she should not make a decision because of a financial interest, he/she should submit a written disclosure of the financial interest to his/her immediate supervisor. The supervisor shall immediately reassign the matter to another employee and shall forward the disclosure notice to the Executive Director, who shall record the employee’s disqualification. In the case of an Interested Person who is head of an agency, this determination and disclosure shall be made in writing to his/her appointing authority (i.e. the Board).
 - b. Interested Persons who are directors:
 - i. Material financial interest in a contract: Where a director has a personal, material financial interest in a contract, the financial interest will be reviewed to determine a remote or non-interest exception apply. An Interested Person may

make a presentation at a Board meeting, but after such 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. If the Board determines that no applicable remote or noninterest exceptions apply, the Board must either: (1) not enter into the contract; or (2) prior to the Board of Director's discussion of and/or taking any action on the contract at issue, the Board member must resign from the Board of Directors. The resignation shall be made part of the Board's official record.

- ii. All other (non-contract) financial interests: Directors shall disclose a disqualifying interest at the meeting during which consideration of the decision takes place. This disclosure shall be made part of the Board's official record. The Board member shall refrain from participating in the decision in any way (i.e., the Board member with the disqualifying interest shall refrain from voting on the matter and shall leave the room during Board discussion and when the final vote is taken) and comply with any applicable provisions of the Charter School bylaws. If a more advantageous transaction or arrangement is not reasonably possible under the circumstances, the Board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in Chicago Preparatory Charter Middle 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.

3. 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 them 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 the Interested Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, and/or up to 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 governing board of director'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.
- d. Understands Chicago Preparatory Charter Middle 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 Chicago Preparatory Charter School 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.

This policy shall also be reviewed annually by each member of the Board. Any changes to the policy shall be communicated immediately to all Interested Persons.

ACKNOWLEDGEMENT OF CHICAGO PREPARATORY CHARTER MIDDLE SCHOOL'S
CONFLICT OF INTEREST POLICY

I _____, Chicago Preparatory Charter Middle School director, officer, or committee member with Board-delegated powers, have received a copy of the Conflict of Interest Policy. I have read and understand the Conflict of Interest Policy, and I agree to the terms and conditions that are set out in this Policy.

I understand that Chicago Preparatory Charter Middle School is a nonprofit public benefit corporation, and in order to maintain its tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes. I also understand that Chicago Preparatory Charter Middle School is a public charter school and is also subject to the conflict of interest laws applicable to public charter schools.

Date: _____

[NAME], [TITLE]