III

America's Finest
Charter School

COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS
2013 JAN 30 AM 11 45
CLERK OF THE BOARD
OF SUPERVISORS

Conflict of Interest Code

ADOPTION

In compliance with the Political Reform Act of 1974, California Government Code Section 87100, et seq., *America's Finest Charter School* ("AFCS") hereby adopts this Conflict of Interest Code ("Code"), which shall apply to all governing board members, candidates for member of the governing board, and all other designated employees of AFCS and any and all of the California public charter schools it operates, as specifically required by California Government Code Section 87300.

Article I

Purpose

The purpose of the conflict of interest policy is to protect the interest of *America's Finest Charter School* when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of AFCS or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II

Definitions

1. **Interested Person**

Any director, principal officer, or member of a committee with governing 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 family:

- **a.** An ownership or investment interest in any entity with which AFCS has a transaction or arrangement,
- **b.** A compensation arrangement with AFCS or with any entity or individual with which AFCS has a transaction or arrangement, or
- **c.** A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which AFCS is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Approved and/or authorized by the
Board of Supervisors of the County of San Diego.
Meeting Date: 4/9/13 Minute Order No. 16
By: [signature] Date: 4/12/13
Deputy Clerk of the Board Supervisors

Article III

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 with governing board delegated powers 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/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

Conflict of interest shall not apply to a transaction that is part of an educational or charitable program of AFCS if (a) the transaction is approved or authorized by the AFCS board (excluding interested persons) in good faith and without unjustified favoritism, and (b) the resulting benefit to one or more directors or their families is due to their being in the class of persons intended to be benefited by the educational or charitable program of AFCS.

3. Procedures for Addressing the Conflict of Interest

a. An interested person may make a presentation at the governing board or committee meeting, but after the 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.

b. The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the governing board or committee shall determine whether AFCS 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.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in AFCS'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 governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the

member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV

Records of Proceedings

The minutes of the governing 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's or committee'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.

Article V

Compensation

a. A voting member of the governing board who receives compensation, directly or indirectly, from AFCS for services is precluded from voting on matters pertaining to that member's compensation.

b. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from AFCS for services is precluded from voting on matters pertaining to that member's compensation.

c. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from AFCS, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VI

Annual Statements

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

a. Has received a copy of the conflicts of interest policy,

b. Has read and understands the policy,

c. Has agreed to comply with the policy, and

d. Understands AFCS is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Article VII

Periodic Reviews

To ensure AFCS 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. The periodic reviews shall, at a minimum, include the following subjects:

a. Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to AFCS's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII

Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, AFCS may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

CERTIFICATE OF SECRETARY

I certify that I am the Secretary of the Board of Directors of *America's Finest Charter School* and that this conflict of interest policy is the conflict of interest policy as adopted by the Board of Directors on 27 Jan 2013 (date); and that this conflict of interest policy has not been amended or modified since that date.

27 January 2013

Date

Signature on File