

## PENNSYLVANIA DISTANCE LEARNING CHARTER SCHOOL

**Book:** Policy Manual  
**Section:** Administration  
**Title:** Conflict of Interest Policy  
**Adopted:** November 15, 2004  
**Revised:** December 7, 2015

**PURPOSE:** The purpose of this policy is to protect Pennsylvania Distance Learning Charter School (“PDLCS”) (“the School”) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or trustee of the School. This policy is intended to supplement but not replace any applicable state laws governing conflict of interest applicable to nonprofit and public cyber charter schools.

**SCOPE:** This policy applies to all Trustees and Administrators of PDLCS.

**POLICY AUTHORITY:** Policy draft is reviewed by the CEO of PDLCS; then (1) sent to the Board of Trustees, and (2) presented at the next formal, public Board Meeting for review, public comments and approval.

### **DEFINITIONS:**

**INTERESTED PERSON:** Any Director, Principal Officer, or member of a committee with board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

**FINANCIAL INTEREST:** A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement; or
- A compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction, or arrangement, or
- A potential ownership or investment interest in, or compensation with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have conflict of interest only if the appropriate board or committee decides that a conflict of interest exists.

**DETAILED POLICY STATEMENT:**

**DUTY TO DISCLOSE:** In connection with any actual or possible conflicts of interest, an interested person must disclose the existence of his or her financial interest and must be given the opportunity to disclose all material facts to the Trustees and Administrators with board delegated powers considering the proposed transaction or arrangements.

**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 or meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board members shall thereupon determine, by a vote of seventy-five percent (75%) of the votes entitled to vote, whether the disclosure shows that a conflict of interests exists or can be reasonably construed to exist.

**PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST:** An interested person may make a presentation at a Board meeting, but after such presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that may result in the conflict of interest.

The Chairperson of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the Board shall determine whether the School 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 shall determine by a majority vote of the disinterested Trustees whether the transaction or arrangement is in the School's best interest and for its own benefit and whether the transaction is fair and reasonable to the School and shall make a decision as to whether to enter into the transaction or arrangement in conformity with such determination.

**VIOLATIONS OF THE CONFLICT OF INTEREST POLICY:** If the Board or Administrator has reasonable cause to believe that a Trustee or Administrator has failed to disclose actual or possible conflicts of interest, it shall inform the trustees of the basis for such belief and afford the Trustee or Administrator an opportunity to explain the alleged failure to disclose.

**RECORDS OF PROCEEDINGS:** The minutes of the Board and all Administration with Board-delegated powers shall contain:

- 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 exists.

- 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 therewith.

**COMPENSATION:** A voting member of the Board of Trustees who receives compensation, directly or indirectly, from the School for services is precluded from voting on matters pertaining to that member's compensation.

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

**STATEMENTS OF UNDERSTANDING:** Each Trustee, Principal Officer and Administrator with Board-delegated powers shall at the time of election and every anniversary thereof, sign a statement which affirms that such person:

- Has received a copy of the Conflict of Interest Policy,
- Has read and understands the Policy,
- Has agreed to comply with the Policy, and
- Understands that the School 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.

**PERIODIC REVIEWS:** To ensure that the School operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- Whether compensation arrangements and benefits are reasonable and are the results of arm's length bargaining.
- Whether partners and joint venture arrangements and arrangements with management services organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the School's charitable purposes and do not result in inurement or impermissible private benefit.
- Whether agreements to provide education and agreements with other employees and third parties further the School's charitable purposes and do not result in inurement or impermissible private benefit.