

KIPP: Foundation

CONFLICT OF INTEREST POLICY

Purpose. The purpose of the conflict of interest policy is to protect the Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or Director of the Corporation 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 conflicts of interest applicable to nonprofit and charitable corporations.

Definitions.

(a) Interested Person. Any Director, principal officer, key employee¹, or member of a committee with Board-delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

(b) Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment or family --

- (1) an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement, or
- (2) a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or
- (3) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.

¹ The term "**key employee**" means an employee who is not an officer or director, and who meets all of the following tests.

- \$150,000 Test: The employee had reportable compensation from the organization and all related organizations exceeding \$150,000 for the year.
- Responsibility Test: The employee had organization-wide responsibilities, powers or influence similar to that of an officer or director; or managed a segment of the organization that represents 10% or more of the organization's activities, assets, income or expenses; or had or shared control over 10% or more of the organization's operating budget or compensation for employees.
- Top 20 Test: The employee was within the organization's top 20 highest paid employees for the year and satisfied the two above tests.

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 a conflict of interest only if the Board of Directors decides that a conflict of interest exists.

Procedures.

(a) 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 all material facts relating thereto to the Board of Directors.

(b) Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts relating thereto, and after any discussion thereof, the interested person shall leave the Board of Directors' meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board of Directors shall decide if a conflict of interest exists.

(c) Procedures for Addressing the Conflict of Interest.

- (1) An interested person may make a presentation to the Board of Directors, but after such presentation, he or she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement resulting in the conflict of interest. If the Board determines that there is no conflict of interest, the transaction or arrangement is not subject to the remaining procedures outlined in this section. If the Board determines that there is a conflict of interest, the Board shall follow the procedures outlined below.
- (2) The Chairman of the Board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (3) After exercising due diligence, the Board of Directors 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.
- (4) 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 of Directors shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in the Corporation's best interest and for its own benefit and whether the transaction is 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 determination.

(d) Violations of the Conflicts of Interest Policy.

- (1) If the Board of Directors has reasonable cause to believe that 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.
- (2) If, after hearing the response of the member and making such further investigation as may be warranted in the circumstances, the Board of Directors determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Records of Proceedings. The minutes of the Board of Directors and all committees with Board-delegated powers shall contain --

(a) Names of Persons with Financial Interest. 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 of Directors' decision as to whether a conflict of interest in fact existed.

(b) Names of Persons Present. 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) A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation 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 the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

(c) No voting member of the Board of Directors or a committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Annual Statements. Each Director, principal officer, key employee, and member of a committee with Board-delegated powers shall annually sign a statement which affirms that such person --

- (a) Receipt. Has received a copy of the conflict of interest policy.
- (b) Read and Understands. Has read and understands the policy.
- (c) Agrees to Comply. Has agreed to comply with the policy.
- (d) Tax Exemption. Understands that the Corporation 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.

If at any time during the year, the information in the annual statement changes materially, the Director, principal officer, key employee, or member of a committee with Board-delegated powers shall disclose such changes and revise the annual disclosure form.

Periodic Reviews. To ensure that the Corporation 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, the Corporation shall conduct periodic reviews. 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 the Corporation'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 an excess benefit transaction.

Use of Outside Experts. When conducting the periodic reviews as provided above, the Corporation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of Directors of its responsibility for ensuring periodic reviews are conducted.