

CONFLICTS OF INTEREST POLICY

PURPOSE

This conflict of interest policy is designed to help METRO's directors, officers and employees identify and manage potential conflicts of interest, consistent with the procedure prescribed in Minnesota Statutes, Section 317A.255, governing conflicts of interest for directors of nonprofit corporations and 124D.10 for charter schools. All parties shall avoid any conflict or the appearance thereof.

Any inconsistencies between this policy and 124D.10 subdivision 4(a) or 317A.255 shall be controlled by statute. This policy is intended to supplement, but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

DEFINITIONS

Interested Person.

A person, 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 his or her immediate family: an ownership or investment interest in any entity with which METRO has a transaction or arrangement; a compensation arrangement with METRO or with any entity or individual with which METRO has a transaction or arrangement; or a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which METRO is negotiating a transaction or arrangement.

Compensation.

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

Standard of Care.

It is the responsibility of each director, officer, and employee of METRO to discharge his or her duties in good faith, in a manner the person reasonably believes to be in the best interests of METRO, and with the care of an ordinarily prudent person in a like position would exercise under similar circumstances.

CONFLICT PROCEDURES

All directors, officers and employees shall abide by 124D.10:

(a) An individual is prohibited from serving as a member of the charter school board of directors if the individual, an immediate family member, or the individual's partner is a full or part owner or principal with a for-profit or nonprofit entity or independent contractor with whom the charter school contracts, directly or indirectly, for professional services, goods, or facilities. An individual is prohibited from serving as a board member if an immediate family member is an employee of the school. A violation of this prohibition renders a contract voidable at the option of the commissioner or the charter school board of directors. A member of a charter school board of directors who violates this prohibition is individually liable to the charter school for any damage caused by the violation.

(b) No member of the board of directors, employee, officer, or agent of a charter school shall participate in selecting, awarding, or administering a contract if a conflict of interest exists. A conflict exists when:

(1) the board member, employee, officer, or agent;

(2) the immediate family of the board member, employee, officer, or agent;

(3) the partner of the board member, employee, officer, or agent; or

(4) an organization that employs, or is about to employ any individual in clauses (1) to (3), has a financial or other interest in the entity with which the charter school is contracting. A violation of this prohibition renders the contract void.

(c) Any employee, agent, or board member of the authorizer who participates in the initial review, approval, ongoing oversight, evaluation, or the charter renewal or nonrenewal process or decision is ineligible to serve on the board of directors of a school chartered by that authorizer.

(d) An individual may serve as a member of the board of directors if no conflict of interest under paragraph (a) exists.

(e) The conflict of interest provisions under this subdivision do not apply to compensation paid to a teacher employed as a teacher by the charter school or a teacher who provides instructional services to the charter school through a cooperative formed under chapter 308A when the teacher also serves on the charter school board of directors.

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 be given the opportunity to disclose all material facts relating to his or her Financial Interest. Employees should report to the Executive Director. Should the Executive Director be involved, it should be reported to the Board. A board member should report to the Board Chair. Should the Board Chair be involved, then a meeting should be held with the full Board.

Inappropriate financial gain to persons in authority at METRO can lead to financial penalties and violations of IRS regulations. Loss of public confidence and a damaged reputation are also likely results of a poorly managed conflict of interest. Because public confidence is crucial to schools, METRO is expected to avoid even the appearance of impropriety. Disclosure of conflicts of interest can also help instill public trust by demonstrating that METRO is committed to conducting its business with the utmost integrity and good faith and in the best interest of its charitable mission.

Determining Whether a Conflict of Interest Exists.

After disclosure of the Financial Interest and all material facts to the Board, and after any discussion with the Interested Person, the Interested Person must wait for Board or Executive Director to decide if a conflict of interest exists.

Procedures for Addressing the Conflict of Interest.

An Interested Person may make a presentation at the Board or committee meeting regarding the proposed transaction or arrangement, but after such presentation, the Interested Person shall leave the meeting during the discussion of, and the vote on, the proposed transaction or arrangement that result in the conflict of interest.

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

After exercising due diligence, the Board or appropriate committee members shall determine whether METRO 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 the circumstances that would not give rise to a conflict of interest, the Board shall determine by a majority vote of the disinterested directors, whether the transaction or arrangement is in METRO's best interest and for its own benefit and whether the transaction is fair and reasonable to METRO and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

VIOLATIONS

Procedure.

If the Board or appropriate committee has reasonable cause to believe that a person subject to this policy has failed to disclose actual or possible conflicts of interest or failed to discharge his or her duties, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure.

Action.

If after hearing the response of the person and making such further investigation as may be warranted in the circumstances, the Board or appropriate committee determines that the person has, in fact, failed to discharge his or her duties in accordance with this policy or to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

RECORD OF PROCEEDINGS

The minutes of meetings of the Board (or committee) 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 or appropriate committee's decision as to whether a conflict of interest in fact existed.

The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussions, including any alternatives to the proposed transaction or arrangement and a record of any votes taken in connection therewith.

ANNUAL STATEMENT

Each director, officer, and employee shall complete and sign a Conflicts of Interest Policy Annual Statement at the time of his or her initial employment or election and annually thereafter.

PERIODIC REVIEWS

To ensure METRO 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:

- A. Whether compensation arrangements and benefits are reasonable and are the results of arm's length bargaining.
- B. Whether partnership and joint venture arrangements and arrangements with management service organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further charitable purposes and do not result

in inurement or impermissible private benefit or in an excess benefit transaction.

USE OF OUTSIDE ADVISORS

In conducting periodic reviews, METRO may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

Adopted: