

Palm Bay Education Group, Inc. Conflict of Interest Policy

Article I Purpose

The purpose of the conflict of interest policy is to protect Palm Bay Education Group, Inc.'s interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the schools 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 Schools.

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 the non-profit or the School has a transaction or arrangement,
- B. A compensation arrangement with the non-profit or the School or with any entity or individual with which the 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 the non-profit or the School is negotiating a transaction or arrangement.

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

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.

3. Procedures for Addressing the Conflict of Interest

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:

- 1. 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.
- 2. 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 and Employment

- 1. No member of the governing board will receive compensation, directly or indirectly, from the non-profit or the School for services.
- 2. No voting member of any committee whose jurisdiction includes compensation matters will receive compensation, directly or indirectly, from the non-profit or the School for services.
- 3. No relatives of a school owner, president, governing board member, principal or assistant

principal with hiring or promotion authority may be appointed, employed, promoted, or advanced. Recusal from the hiring or promotion decision or the delegation of hiring or promotion authority to another individual is not sufficient to avoid a violation of this conflict provision.

4. No governing board member may accept anything of value based upon any understanding that any vote or official board action would be influenced. Governing board members and any business entity in which they or their immediate family have a material interest, are prohibited from contracting with the non-profit or the School for the purchase, rent or leasing of any realty, goods or services.
5. No governing board members may vote on any matter that would benefit any relative, business associate, or entity for whom that individual has been retained. In addition to recusing him/herself from any such vote, the board member must publicly disclose the interest prior to the vote being taken and must provide a written memorandum within 15 days after the vote explaining the nature of the interest which must be included in the minutes of the governing board meeting.

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:

1. Has received a copy of the conflicts of interest policy,
2. Has read and understands the policy,
3. Has agreed to comply with the policy, and
4. Understands the non-profit entity 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 the non-profit organization 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:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management Schools conform to the School'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, the School 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.

1. 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.
2. 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.
3. After exercising due diligence, the governing board or committee shall determine whether the School 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.
4. 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 the 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.