

The Public Education Foundation Conflicts of Interest Policy

Purpose

The purpose of the conflicts of interest policy is to protect the interests of The Public Education Foundation (PEF) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of PEF or any other person having substantial influence over PEF or might result in a possible excess benefit transaction. This policy implements but does not replace any applicable state or federal laws governing conflicts of interest with respect to nonprofit and charitable corporations.

Definitions

1. Interested Person:

An interested person is any director, officer, member of a committee with Board-delegated powers, or other person who has substantial influence over PEF who has a direct or indirect financial interest, as defined below, with respect to PEF.

2. Financial Interest:

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

- (a) an actual or potential ownership or investment interest in any entity with which PEF has a transaction or arrangement, or is negotiating a transaction or arrangement (excluding an interest of less than 1% of any publicly held company); or
- (b) a compensation arrangement with PEF or with any entity or individual with which PEF has a transaction or arrangement; or (c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which PEF is negotiating a transaction or arrangement.

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

3. Nonfinancial Interest:

A person has a nonfinancial interest if the interest influences participation or vote in an action of the person's duties:

- (a) The person's relationship as an unpaid volunteer, officer or director of an organization that may be affected, directly or indirectly, by action to be taken, or not taken; or
- (b) The person's personal, political, religious, friendship, or personal relationships which may be affected by an action to be taken or not taken.

Procedures

1. **Duty to Disclose:** In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest to the directors and members of committees with Board-delegated powers considering the proposed transaction or arrangement.

2. **Disclosure of Nonfinancial Interest:** Interested persons shall disclose nonfinancial interests generally in their annual statement and specifically as individual interests arise. Nonfinancial interests are expected and shall not be reviewed unless an interested person (including the affected member) requests that the interest be reviewed under the Conflict of Interest Policy.

3. **Recusal of Self:** An interested person may recuse himself or herself at any time from involvement in any decision or discussion in which the Board member believes he or she may have a conflict of interest, without going through the process for determining whether a conflict of interest exists.

2. Determining Whether a Conflict of Interest Exists:

After disclosure of the financial or the nonfinancial interest, the interested person shall leave the Board meeting or committee meeting while the matter is discussed and any action is voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest:

(a) The Board Chair or committee shall, if appropriate, appoint a disinterested person or committee comprised of external parties who do not serve on the Board or staff to investigate alternatives to the proposed transaction or arrangement. A person shall be disinterested only if he or she has no financial interest with respect to the transaction to be reviewed and if the person who has a conflict of interest has not previously approved a conflict of interest transaction for such person.

(b) After exercising due diligence, the Board or committee shall determine whether PEF can obtain an overall more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest. Such diligence shall include written documentation of comparable third-party arrangements.

(c) After a complete factual basis has been developed, the Board or committee may seek an opinion of counsel with respect to the transaction in appropriate circumstances.

(d) 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 or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in PEF's best interest and for its own benefit and whether the transaction is fair and reasonable to PEF and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination

(e) If a conflict of interest transaction results in benefit to a person that is to be

considered compensation, such characterization shall be clearly documented, and PEF shall file all appropriate tax reporting for such compensation.

4. Violations of the Conflicts of Interest Policy:

(a) If the Board or committee has reasonable cause to believe that a member has failed to disclose a financial 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 response of the member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the member has in fact failed to disclose a financial interest, it shall take appropriate disciplinary and corrective action.

Records of Proceedings

1. The minutes of the 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 a 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 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 as well the factual information and reports reviewed, and a record of any votes taken in connection therewith.

2. PEF shall maintain a list of the persons for whom transactions in which such person had a financial interest were approved and the persons who approved those transactions. PEF also shall maintain a list of each of its directors and the persons for whom such directors approved transactions in which a person had a financial interest.

Compensation Committees

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

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

Annual Statements

Each director, principal officer, and member of a committee with Board-delegated powers shall annually sign a statement substantially in the form attached hereto as Exhibit A (or such other form as is approved by the Board from time to time) which affirms that 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 that PEF is a charitable organization and that in order to maintain its federal tax exemption must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Periodic Reviews

To ensure that PEF 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 result of arm's-length bargaining.
- (b) Whether partnership and joint venture arrangements and arrangements with for-profit organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further PEF's charitable purposes, and do not result in inurement or impermissible private benefit.

Use of Outside Experts

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