

**San Felipe Del Rio CISD Education Foundation
Conflict of Interest Policy**

Purpose

The purpose of the conflict of interest policy (“Policy”) is to protect San Felipe Del Rio CISD Education Foundation’s (the “Organization”) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, director of the Organization or might result in a possible excess benefit transaction to a “disqualified person” under Section §4958 of the Internal Revenue Code and 26 CFR 53.4958 of the Code of Federal Regulations (the “federal rules”). A “disqualified person” under the federal rules includes directors and officers and any person who is in a position to exercise substantial influence over the affairs of the organization, and includes Family (as defined below) of the disqualified person. This Policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Definitions

i. Interested Person. Any Director or Officer, employee, or member of a committee with powers delegated by the Board who has a direct or indirect Interest, as defined below, is an “Interested Person.”

(1) A person has an “Interest” if the person has, directly or indirectly, through business, investment, or Family (as defined below):

(a) an ownership or investment interest, directly or indirectly, in any entity with which the Organization has a transaction or arrangement,

(b) a compensation arrangement with the Organization 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 School is negotiating a transaction or arrangement.

(2) “Compensation” is defined to include direct and indirect remuneration as well as gifts or favors that are not insubstantial.

(3) “Family” means a disqualified person’s spouse, siblings, spouses of siblings, ancestors, children, grandchildren, great grandchildren, and spouses of children, grandchildren, and great grandchildren.

ii. Interested Person with Conflict of Interest. An Interested Person shall have a Conflict of Interest (as defined below) only if the Board or the appropriate committee determines that a Conflict of Interest exists in accordance with the procedures set forth below.

Conflict of Interest Procedures

i. Duty of Prior Disclosure. In connection with any actual or potential conflict of interest, an Interested Person shall disclose the existence of the Interest in writing to the Board as soon as he or she has knowledge of it and the Board shall give such Interested Person the opportunity to disclose all material facts related thereto to the Board or designated committee considering the proposed transaction or arrangement. Such written disclosure shall be made part of and set forth in the Board minutes. In any event, the disclosure of any actual or potential conflict of interest by an Interested Person should occur prior to any consideration of the proposed transaction by the Board.

(1) Transaction Not Subject to Board Action. An Interested Person with any actual or potential conflict of interest with respect to a transaction or arrangement that is not the subject of Board action shall disclose to the Chair of the Board any such Interest. Such disclosure shall be made as soon as the Interest is known to the Interested Person.

(2) Untimely Disclosure. If an Interested Person fails to disclose the Interest before the Board acts on a transaction as to which a Director has an Interest, then the Interested Person shall promptly submit a written statement to the Board setting forth all material facts regarding the Interest, along with an explanation concerning the untimely nature of the notice.

(3) Failure to Disclose. If the Board has reasonable cause to believe that an Interested Person failed to disclose an Interest, the Board shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose. After hearing the Interested Person's explanation and conducting such investigation as may be warranted under the circumstances, the Board may determine that the Interested Person failed to disclose an actual Conflict of Interest. In such event, the Board shall vote on the appropriate corrective action, which may include removal from the Board or reversal of the decision affected by failure to disclose.

ii. Determining Whether a Conflict of Interest Exists. After disclosure of the Interest and all material facts related thereto, the Interested Person shall leave the meeting of the Board or designated committee while a determination is made by disinterested Directors as to whether a conflict of interest ("Conflict of Interest")

exists. No Director shall vote on any matter in which he or she has a Conflict of Interest.

iii. Vote by Disinterested Directors

(1) Nonparticipation of Directors with Conflict. A Director who has a Conflict of Interest shall neither vote nor participate in, nor be permitted to hear the Board's discussion of the matter, except to disclose material facts and to respond to questions. Such Director shall not attempt to exert his or her influence with respect to the matter, either before, during or outside of the Board meeting.

(2) Action by Disinterested Directors. If the Board concludes that a Conflict of Interest exists, the Board shall determine by voting whether the transaction should be authorized, approved or ratified. The vote shall be conducted as follows:

(a) Except as otherwise permitted by law, Directors with a Conflict of Interest shall leave the room in which the meeting is conducted.

(b) A majority of the disinterested Directors present must vote affirmatively for the transaction to be authorized, approved or ratified. However, a transaction cannot be authorized, approved or ratified by no less than three (3) Directors.

(3) Vote Not Disallowed by Presence of Directors with a Conflict. The presence of, or a vote cast by, a Director with a Conflict of Interest in a transaction does not affect the validity of a vote regarding the transaction if the transaction is otherwise authorized, approved or ratified as prescribed herein.

(4) Circumstances in which Comparability Data is Necessary. If the transaction involves compensation for services of a Director, an Officer, or other individual deemed to be a disqualified person (as defined above) under the federal tax rules, or if the transaction involves the transfer of property or other benefit to a Director, Officer, or other individual deemed to be a disqualified person under the federal tax rules, the disinterested Directors or committee must determine that the value of the economic benefit provided by The Organization to the Interested Person or persons does not exceed the value of the consideration received in exchange by obtaining and reviewing appropriate comparable data ("Comparability Data").

(a) When considering the comparability of compensation for example, the relevant data which the Board or committee may consider includes, but is not limited to, the following: (1) compensation levels paid by similarly situated schools; (2) the availability of similar services within the same geographic area; (3) current compensation surveys compiled by

independent firms; and (4) written offers from similar institutions competing for the same person's services. When the transaction involves the transfer of real property as compensation, the relevant factors include, but are not limited to, (1) current independent appraisals of the property and (2) offers received in a competitive bidding process.

(b) Based on the Comparability Data, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is fair and reasonable to The Organization. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

(c) If such transaction or arrangement is approved by the Board or committee, the Comparability Data and the approval shall be made part of the Board minutes in accordance with Section (iv) below.

iv. Documentation. The Board Secretary shall keep accurate minutes reporting:

(1) Interest Disclosed; Determination of Conflict of Interest. That the Interested Person(s) disclosed the Interest and the Board determined whether a Conflict of Interest exists. The minutes should include:

(a) The name(s) of the person(s) who disclosed or otherwise were found to have an Interest in connection with an actual or possible conflict of interest, the nature of the 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 Conflict of Interest, 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.

(2) Nonparticipation of Directors with Conflict. That the Director or Directors with an Interest or a Conflict of Interest left the room and did not participate in the determination of whether a Conflict of Interest exists or the vote regarding the transaction or arrangement;

(3) Comparability Data. The Comparability Data considered and relied upon by the Board in its consideration of the transaction or arrangement; and

(4) Vote of Disinterested Directors. That the remaining disinterested Directors reviewed the Transaction and voted upon it, and the result of their vote.

Compensation

A Director who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that Director's compensation.

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

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

iii. No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, 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 governing board-delegated powers shall annually sign a statement that affirms 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 the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Periodic Reviews

To ensure the 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:

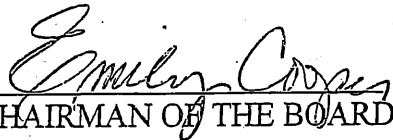
- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.

b. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization'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.

Use of Outside Experts

When conducting the periodic reviews as provided for in this Policy, the Organization 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.

ADOPTED this 29th day of October 2012


CHAIRMAN OF THE BOARD