

The Tyler Loop's Conflict of Interest Policy

I. Purpose

A. The purpose of this Conflict of Interest Policy is to protect this tax-exempt organization's (the "Organization" or the "Corporation") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization 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 organizations. In accordance with Article 3.1 of the Bylaws, it is this Conflict of Interest Policy's purpose to promote the business of the Corporation and to serve the interest of the Board. To that end, the restrictions herein are intended to encourage high ethical standards in official conduct by the Corporation's officials and establish guidelines for such ethical standards of conduct.

II. Definitions

A. *Affinity*. The term "Affinity" shall have the meaning set forth in Chapter 573 of the Texas Government Code. The calculation of the degrees of Affinity of a relationship shall be as set forth in that statute.

B. *Board*. The term "Board" shall mean the Corporation's Board of Directors as set out in Article 5 of the Corporation's Bylaws.

C. *Consanguinity*. The term "Consanguinity" shall have the meaning set forth in Chapter 573 of the Texas Government Code. The calculation of the degrees of Consanguinity of a relationship shall be as set forth in that statute.

D. *Corporation*. The term "Corporation" shall mean The Tyler Loop.

E. *Corporation Officials*. The term "corporation officials" shall mean Directors, Employees, Advisors, Attorneys, and persons or business entities engaged in handling investments for the Corporation as representatives of the Corporation.

F. *Director*. The term "Director" shall mean a person elected or appointed to serve on the Board.

G. *Employee*. The term "Employee" shall mean any person employed by the Corporation, but it does not include independent contractors or professionals hired by the Corporation as consultants.

H. *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 Organization has a transaction or arrangement;
- (b) A compensation arrangement with the Organization or with any entity or individual with which the Organization 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 Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not substantial. A financial interest is not necessarily a conflict of interest. Under Article V of this policy, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

I. *Interested Person.* The term “Interested Person” shall mean any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined above.

J. *Policy.* The term “Policy” shall mean this Conflict of Interest Policy, as it may be amended or revised from time to time.

K. *Substantial Business.* The Corporation has “Substantial Business” with a business entity if:

- 1. The Corporation purchases more than \$1,000 in goods or services from the business entity in one calendar year;
- 2. The Corporation enters into a written contract, approved by the Board, which provides for an exchange of consideration in either direction, in excess of \$1,000 in money, goods, or services.

L. *Substantial Interest.*

- 1. A person has a “Substantial Interest” in a business entity if:
 - (a) the person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more, or \$15,000 or more of the fair market value of the business entity; or
 - (b) funds received by the person from the business entity exceed 10 percent of the person’s gross income for the previous year.
- 2. A person has a “Substantial Interest” in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more.
- 3. A person is considered to have a “Substantial Interest” under this section if a person related to the official in the first degree by Consanguinity or Affinity has a substantial interest under this section.

III. General

A. General Policy. It is the Corporation's policy that the Corporation officials shall conduct themselves in a manner consistent with sound business and ethical practices; that the public interest shall always be considered in conducting Corporation business; that the appearance of impropriety shall be avoided to ensure and maintain public confidence in the Corporation; and that the Board shall control and manage the Corporation's affairs fairly, impartially, without discrimination, and according to the Corporation's purpose.

B. Interpretation.

1. It is the intent of this Policy that although Local Government Code Chapter 171 is not applicable to the Corporation, interpretation of that statute may be used to provide guidance in interpretation of this Policy, to the extent that the provisions of the statute and the Policy are not consistent, the Policy controls.
2. If it is determined that a conflict of interest exists under this Policy, it is the intent of this Policy that the conflict should be resolved, if possible, by terminating the business relationship between the Corporation and the third party, by the affected Director abstaining from all votes affecting the business relationship, or otherwise, if such resolution is approved by a majority vote of the Board as provided for in Article V of this Policy.

IV. Specific Prohibitions

A. Substantial Interest in Business. If a director has a substantial interest in a business entity and the Board must vote on or decide a matter that will have an economic effect on that business entity *that is distinguishable from the effect on the public*, then the director must file a statement providing the nature and extent of his interest and he must abstain from further participation in the Board's decision.

B. Substantial Interest in Property. If a director has a substantial interest in real property and it is reasonably foreseeable that the Board's action on a matter will have an economic effect on the value of the property *that is distinguishable from the effect on the public*, then the director must file a statement providing the nature and extent of his interest and he must abstain from further participation.

C. Surety. A director may not act as a surety on any official bond or for a business entity that has work, business, or a contract with the Corporation.

D. Disclosure of Confidential Information. A director may not disclose, without written legal authorization, confidential information to advance his own financial or private interests, or the financial or other private interests of a third person or entity, on any contract or transaction which is or may be the subject of an official action of the Corporation.

E. ***Substantial Business.*** The Corporation may not conduct substantial business directly with a Corporation official or with a business entity in which a Corporation official has a substantial interest.

F. *Acceptance of Gifts.*

1. A Corporation official shall not solicit, accept, or agree to accept any benefit of value from a person or business entity the Corporation official knows is interested in or likely to become interested in any contract, purchase, payment, claim, or other transaction involving the exercise of their discretion as a public servant, or any manner before the Board, or likely to come before the Board for any decision, opinion, recommendation, or vote.
2. The prohibition against gifts or favors in subsection (a) of this section shall not apply to:
 - (a) an occasional non-monetary gift, valued at less than \$25.00, or
 - (b) an award publicly presented in recognition of public service.

G. ***Use of Corporation Resources.*** No Corporation Official shall permit any personal or unauthorized use of Corporation-owned or Corporation-controlled equipment, materials, supplies, or property.

V. Procedures

A. *Separate Votes.*

The Board shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a Director has a Substantial Interest. The Director having the Substantial interest may not participate in that separate vote, but may vote on a final budget if:

1. The Director files a statement describing the nature and extent of his interest and that he will abstain from voting on the separate budget item; and
2. The matter in which the Director is concerned has been separately approved.

B. *Procedure for Violations.*

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 or 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. If the board finds that a Director has violated a provision of this Policy, it may:
 - (a) Present charges against the Director and seek removal pursuant to Article 5.6 of the Bylaws.
 - (b) Appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - (c) Allow an interested person to make a presentation at the board meeting, but after the presentation, he or she shall leave the meeting during the discussion of, and the vote regarding, the transaction or arrangement involving the possible conflict of interest.
 - (d) Require that the Director take all necessary action to eliminate the violation; or
 - (e) Adopt a resolution, with the approval of 2/3 of the Directors present, finding that:
 - (i) The business of the Corporation and the interests of the membership require that an exception to this Policy be made;
 - (ii) The exception is consistent with the high ethical standards established by the Corporation; and
 - (iii) The specific limitations adopted in the resolution with respect to the particular situation are adequate to prevent self-dealing, and to ensure that the membership's interests are fully protected.

The Director who has a potential conflict of interest shall not be permitted to vote on the adoption of a resolution under this Section.

- a. If a potential situation that might constitute a violation of this Policy is presented to the Board, the Board may adopt a resolution pursuant to Subsection 3(e) of this chapter without the necessity of finding that a violation occurred.

C. *Records of Proceedings.*

1. The minutes of the governing 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 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.
 - 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, and a record of any votes taken in connection with the proceedings.

VI. Compensation and Accounting

A. *Compensation.*

1. A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.
2. 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.
3. 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.

B. *Annual Statements.*

1. Each director, principal officer, and member of a committee with governing board delegated powers shall annually sign a statement which affirms that such person:
 - a. Has received a copy of this Policy;
 - b. Has read and understands the Policy;

- c. Has agreed to comply with the Policy; and
- d. Understands that the Corporation is charitable in nature 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.

C. *Periodic Reviews.*

1. To ensure that 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; and
 - 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 in an excess benefit transaction.

D. *Outside Experts.*

1. When conducting the periodic reviews as provided for in Article VI, 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 that periodic reviews are conducted.