

Texas Economic Development Council (TEDC)

Conflict of Interest Policy

These guidelines and policies are, by design, general in nature and are not intended to be all-inclusive.

Article I

Purpose

The purpose of this policy is to protect the Texas Economic Development Council, Inc.'s (the TEDC) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director, officer or employee of the TEDC 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.

Article II

Definitions

For purposes of this policy each of the following terms shall have the meaning set forth herein unless the content clearly indicates otherwise:

Interested Person

Any director, principal officer, employee, 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.

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 TEDC has a transaction or arrangement,
- b) A compensation arrangement with the TEDC or with any entity or individual with which the TEDC 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 TEDC is negotiating a transaction or arrangement.
- d) A financial interest is not necessarily a conflict of interest. Under article II, Section 2, 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.

Significant and/or Substantial Value

No director, member of a committee with governing board delegated powers, principal officer or employee may accept a gift of any type with a market value in excess of fifty dollars (\$50). The aggregate value of gifts from one source accepted by a director, member of a committee with governing board delegated powers, principal officer or employee may not exceed seventy-five dollars (\$75) within a calendar year.

Compensation

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

TEDC

Texas Economic Development Council, Inc.

Board

The term "board" shall refer to the TEDC Board of Directors.

Article III

Board/Employee Guidelines

3.1 Board of Directors Guidelines:

- a) No Board member shall have any relationships or engage in any activities which might conflict or give the appearance of conflicting with the proper performance of Board duties or responsibilities or which might affect his or her independence or judgment with respect to transactions between the TEDC and the Board member's other activities.
- b) No Board member or a person related to a Board member in the first degree by consanguinity or affinity shall have a significant financial interest (10% or more of total ownership), either directly or indirectly, in any business organization which deals with the TEDC either as a supplier or as a customer of the TEDC without prior specific approval of the Board of Directors.
- c) No Board member a person related to a Board member in the first degree by consanguinity or affinity shall lease, rent or sell any kind of facility or equipment, material, service or other resource to the TEDC or to any company or individual doing business with the TEDC as a supplier or contractor without prior specific approval of the Board of Directors.
- d) No Board member or a person related to a Board member in the first degree by consanguinity or affinity shall provide any managerial, consulting or similar service to any outside concern who does business with the TEDC, either as a supplier or as a customer of the TEDC, unless prior specific approval is obtained from the Board of Directors.
- e) No Board member shall convert to personal use any TEDC asset.
- f) No Board member or a person related to a Board member in the first degree by consanguinity or affinity shall offer or receive any direct or indirect bribe, kickback or any other payment or transfer of value from any person or organization conducting business with the TEDC. Gifts shall be given only to the extent that they are properly authorized by the Board of Directors and are not contrary to applicable law and ethical standards.

- g) No Board member or a person related to a Board member in the first degree by consanguinity or affinity shall seek or accept any gift of significant value including but not limited to trips, travel and hunting; accept private discount or preferential treatment from suppliers, customers, or competitors; or accept payments, fees, privileges, opportunities, loans (except at conventional terms from banks or other lending institutions) or other favors from any group, person, or organization doing or seeking to do business with the TEDC. Letters shall be periodically forwarded by the President/CEO of TEDC to all suppliers informing them of our policies concerning gifts and soliciting their understanding.
- h) It is acknowledged in connection with this policy that certain common courtesies and remembrance of nominal value, occasional meals, and reasonable entertainment appropriate to the business relationship and associated with business decisions are widely accepted as common business practices and may be accepted as such by Board members and their families. Gifts in the form of cash, gift certificates, stocks, bonds, options or similar items shall not be accepted, regardless of value.

3.2 Employees Guidelines:

- a) No employee shall have any relationships or engage in any activities which might conflict or give the appearance of conflicting with the proper performance of TEDC duties or responsibilities or which might affect his or her independence or judgment with respect to transactions between the TEDC and the employee's other activities.
- b) No employee or a person related to an employee in the first degree by consanguinity or affinity shall have a significant financial interest (10% or more of total ownership), either directly or indirectly, in any business organization which deals with either as a supplier or as a customer of the TEDC without prior specific approval of the Board of Directors.
- c) No employee or a person related to an employee in the first degree by consanguinity or affinity shall lease, rent or sell any kind of facility or equipment, material, service or other resource to the TEDC or to any company or individual doing business with the TEDC as a supplier or contractor without prior specific approval of the Board of Directors.
- d) No employee or a person related to an employee in the first degree by consanguinity or affinity shall provide any managerial, consulting or similar service to any outside concern who does business with the TEDC, either as a supplier or as a customer unless prior specific approval is obtained from the Board of Directors.
- e) No employee shall convert to personal use any TEDC asset.
- f) No employee or a person related to an employee in the first degree by consanguinity or affinity shall offer or receive any direct or indirect bribe, kickback or any other payment or transfer of value. Gifts shall be given only to the extent that they are properly authorized by the TEDC Board of Directors and are not contrary to applicable law and ethical standards.
- g) No employee or a person related to an employee in the first degree by consanguinity or affinity shall seek or accept any gift of significant value including but not limited to trips, travel and hunting; accept private discount or preferential treatment from suppliers, customers, or competitors; or accept payments, fees, privileges, opportunities, loans (except at conventional terms from banks or other lending institutions) or other favors from any group, person, or organization doing or seeking to do

business or competing with the TEDC. Letters shall be periodically forwarded by the President/CEO of TEDC to all suppliers informing them of our policies concerning gifts and soliciting their understanding.

- h) It is acknowledged in connection with this policy that certain common courtesies and remembrance of nominal value, occasional meals, and reasonable entertainment appropriate to the business relationship and associated with business decisions are widely accepted as common business practices and may be accepted as such by employees and their families. Gifts in the form of cash, gift certificates, stocks, bonds, options or similar items shall not be accepted, regardless of value.

Article IV

Procedures

4.1. Duty to Disclose

In connection with any actual or possible conflict of interest, a director, officer or employee of TEDC must disclose in writing the existence of the conflict of interest and be given the opportunity to disclose all material facts to the Board of Directors the proposed or actual transaction or arrangement.

4.2. Proof of a Conflict of Interest

After disclosure of the conflict of interest and all material facts, and after any discussion with the interested person, he/she shall leave the board meeting while the determination of a conflict of interest is discussed and voted upon. The Board members shall decide if a conflict of interest exists.

4.3. Procedures for Addressing Conflict of Interest

- a) The Board of Directors shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b) After exercising due diligence, the Board of Directors shall determine whether the TEDC 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.
- c) If another transaction or arrangement is not reasonably possible under circumstances that will not produce a conflict of interest, the board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the TEDC'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.

4.4. Violations of the Conflicts of Interest Policy

- a) If the Board has reasonable cause to believe a member or employee has failed to disclose actual or possible conflicts of interest, it shall inform the member or employee 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 or employee's response and after making further investigation as warranted by the circumstances, Board determines the member or employee has failed to disclose an

actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action which may include but is not limited to cancellation of membership in the TEDC or termination of the employee as appropriate.

Article V

Records of Proceedings

The minutes of the board shall contain:

- a) The names of the persons who disclosed or otherwise were found to have a connection with an actual or possible conflict of interest, the nature of the conflict of interest, any action taken to determine whether a conflict of interest was present, and the Board'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.

Article VI

Compensation

- a) A voting member of the Board who receives compensation, directly or indirectly, from the TEDC for services is precluded from voting on matters pertaining to that member's compensation.
- b) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the TEDC for services is precluded from voting on matters pertaining to that member's compensation.
- c) No voting member of the board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the TEDC either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Article VII

Annual Statements

Each director, principal officer and employee, and member of a committee with governing board delegated powers shall annually sign a statement which 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 TEDC 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 VIII

Periodic Reviews

To ensure the TEDC 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 by a committee of board members. The periodic reviews shall at a minimum include the following subjects:

- a) Reasonableness of compensation arrangements and benefits based on competent survey information, and the result of arm's length bargaining.
- b) Compliance with TEDC written policies governing relationship(s) with partnerships, joint ventures and arrangements with management organizations to ensure they 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 IX

Use of Outside Experts

When conducting the periodic reviews as provided in Article VIII, the TEDC may use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring periodic reviews are conducted.

I have received a copy of the Texas Economic Development Council, Inc.'s Conflict of Interest Policy.

I have read and I understand the policy.

I agree to comply with the policy.

I understand the Texas Economic Development Council, Inc. is a tax-exempt trade association and in order to maintain its federal tax exemption it must engage in activities which accomplish one or more of its tax-exempt purposes.

Printed Name

Signature

Date