



GREATER TEXAS FOUNDATION

Conflicts of Interest Policy

1.0 Purpose

The purpose of this policy is to protect this tax-exempt Corporation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, Advisory Council member, committee member or Director of the Corporation or might result in a possible excess benefit transaction.

2.0 Persons Affected

All directors and officers, committee members, advisory council members, employees, and the President & CEO.

3.0 Policy

This policy of Greater Texas Foundation is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest as well as acts of self-dealing as outlined in the US Code Title 26 Chapter 42 Section 4941 applicable to private foundations.

4.0 Definitions

4.1 Interested Person. Any Director, principle officer, or member of a committee with governing Board delegated powers or Advisory Council member who has a direct or indirect financial interest, as defined in Section 4.2.

4.2 Disqualified Person. As described in the US Code Title 26 Chapter 42 Section 4946, "Means with respect to a private foundation a person who is – (A) a substantial contributor to the foundation; (B) a foundation manager; (C) an owner of more than 20 percent of -- (i) the total combined voting power of a corporations, (ii) the profits interest of a partnership, or (iii) the beneficial interest of a trust or unincorporated enterprise -- which is a substantial contributor to the foundation; (D) a member of the family (as defined in subsection (d)) of any individual described in subparagraph (A), (B), or (C); (E) a corporation of which persons described in subparagraph (A), (B), (C), or (D) own more than 35 percent of the total combined voting power; (F)



GREATER TEXAS FOUNDATION

a partnership in which persons described in subparagraph (A), (B), (C), or (D) own more than 35 percent of the profits interest; (G) a trust or estate in which persons described in subparagraph (A), (B), (C), or (D) hold more than 35 percent of the beneficial interest; (H) only for purposes of section 4943, a private foundation – (i) which is effective controlled (directly or indirectly) by the same person or persons who control the private foundation in question, or (ii) substantially all of the contributions to which were made (directly or indirectly) by the same person or persons described in subparagraph (A), (B), or (C), or members of their families (within the meaning of subsection (d)), who made (directly or indirectly) substantially all of the contributions to the private foundation in question; and (I) only for purposes of section 4941, a government official (as defined in subsection (c)).

4.3 Independent Person. A director is considered to be independent if all three of the following circumstances applied at all times during the organization's tax year:

5.3.1 The director was not compensated (monthly stipends are not compensation in this context) as an officer or other employee of the organizations or of a related organization (there is a limited religious exception).

5.3.2 The director received total compensation as an independent contractor from the organization or other related entity of less than \$10,000 for the year (may receive reasonable compensation as a director, and may receive reimbursement of expenses).

5.3.3 Neither the director nor any family member was involved in a transaction, either with the organization or with a related organization, that was required to be reported on Schedule L, Transactions with Interested Persons.



GREATERTX.FOUNDATION

- 4.4 Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment or family:
- 4.4.1 an ownership or investment interest in any entity with which the Corporation has a transaction or arrangement.
 - 4.4.2 a compensation arrangement with the Corporation or with any entity or individual with which the Corporation has a transaction or arrangement, or
 - 4.4.3 a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Corporation is negotiating a transaction or arrangement.
- 4.5 Compensation. Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature. A financial interest is not necessarily a conflict of interest. A person who has a financial interest may have a conflict of interest only if the appropriate Board or committee decides that a conflict of interest exists.
- 4.6 Self-Dealing. For purposes of this section, the term “self-dealing” means any direct or indirect –
- 4.6.1 sale or exchange, or leasing, of property between a private foundation and a disqualified person;
 - 4.6.2 lending of money or other extension of credit between a private foundation and a disqualified person;
 - 4.6.3 furnishing goods, services, or facilities between a private foundation and a disqualified person;
 - 4.6.4 payment of compensation (or payment or reimbursement of expenses) by a private foundation to a disqualified person;



GREATER TEXAS FOUNDATION

- 4.6.5 transfer to, or use by or for the benefit of, a disqualified person of the incomes or assets of a private foundation; and
- 4.6.6 agreement by a private foundation to make any payment of money or other property to a government official (as defined in Section 4946 of US Code Title 26 Chapter 42), other than an agreement to employ such individual for any period after the termination of their government service if such individual is terminating his government service within 90-day period.

5.0 Responsibilities

- 5.1 All foundation Board and committee members, including the President & CEO, are responsible for understanding and following all conflict of interest policy procedures, including and particularly Section 6.1 Duty to Disclose.
- 5.2 The President & CEO and/or designee is responsible for maintaining and updating this policy.

6.0 Procedures

- 6.1 Duty to Disclose. In connection with any actual or possible conflicts of interest or acts of self-dealing, an interested person must disclose the existence of the financial interest or violation committed either by themselves, a disqualified person and/or an independent person and be given the opportunity to disclose all material facts to the Directors and members of committees with Board delegated powers considering the proposed transaction or arrangement.
- 6.2 Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest or violation and all material facts, and after any discussion with the interested person, he/she shall leave the Board or committee meeting while the determination of a conflict of interest or act of self-dealing is discussed and voted upon. The remaining Board



GREATER TEXAS FOUNDATION

or committee members shall decide if a conflict of interest or act of self-dealing exists.

6.3 Procedures for Addressing the Conflict of Interest.

6.3.1 An interested person may make a presentation at the Board or committee meeting, but after such presentation, he/she shall leave the meeting during the discussion of, and vote on, the transaction or arrangement that results in the conflict of interest or act of self-dealing.

6.3.2 The Chairperson of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

6.3.3 After exercising due diligence, the Board or committee shall determine whether the Corporation can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest or act of self-dealing.

6.3.4 If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to 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 Corporation's best interest and for its own benefit and whether the transaction is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter the transaction or arrangement. In the case of an act of self-dealing, the board must determine whether the cost of the excise tax levied is reasonable.



GREATER TEXAS FOUNDATION

6.4 Violation of the Conflict of Interest Policy.

6.4.1 If the Board or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest or act of self-dealing, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

6.4.2 If, after hearing the member's response 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 an actual or possible conflict of interest or act of self-dealing, it shall take appropriate disciplinary and corrective action.

6.5 Records of Proceedings. The minutes of the Board and all Board committees with Board-delegated powers shall contain:

6.5.1 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 or act of self-dealing, the nature of the financial interest, any action taken to determine whether a conflict of interest or act of self-dealing was present, and the Board's or committee's decision as to whether a conflict of interest or act of self-dealing in fact existed

6.5.2 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 therewith.



GREATERTX FOUNDATION

6.6 Compensation.

6.6.1 A voting member of the Board of Directors who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.

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

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

6.7 Annual Statements. Each Director, principal officer, Advisory Council member, member of a committee with Board delegated powers, *and employee* shall annually sign a statement which affirms that such person:

6.7.1 has received a copy of the conflicts of interest policy,

6.7.2 has read and understands the policy,

6.7.3 has agreed to comply with the policy, and

6.7.4 understands that the Corporation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.



GREATER TEXAS FOUNDATION

- 6.8 Periodic Reviews. To ensure that the Corporation 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 review shall, at a minimum, include the following subjects:
- 6.8.1 whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- 6.8.2 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.
- 6.9 Use of Outside Experts. In conducting the periodic reviews provided for in Section 6.8, the Corporation 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.