

TEXAS ENERGY MANAGERS ASSOCIATION
CONFLICT OF INTEREST POLICY

I. Overview

1. Purpose

- a. This conflict of interest policy is designed to foster public confidence in the integrity of Texas Energy Managers Association (the "Organization") and to protect the Organization's interest when it is contemplating entering a transaction (defined below) that might benefit the private interest of a director, a chief officer, financial official, or a key employee (defined below).

2. Why is a policy necessary?

- a. As a tax-exempt organization, the Organization is accountable to both government agencies and members of the public for responsible and proper use of its resources. Directors, chief officers, financial officials, or key employees have a duty to act in the Organization's best interests and may not use their position for their own financial or personal benefit.
- b. Conflicts of interest must be taken very seriously since they can damage the Organization's reputation and expose both the Organization and affiliated individuals to legal liability, if not handled appropriately. Even the appearance of a conflict of interest should be avoided, as it could undermine public support for the Organization.

3. Definitions

- a. The following are considered *insiders* for the purposes of this policy:
 - i. Each member of the State Board of Directors or other TEMA governing body.
 - ii. The chief executive officer, chief operating officer, or any person with the responsibilities of any of these positions (whether or not the person is an officer of the Organization under the Organization's Bylaws).
 - iii. Any *key employee*, meaning an employee who (a) has responsibilities or influence over the organization similar to that of officers, directors, or trustees; **or** (b) manages a program that represents 10% or more of the activities, assets, income, or expenses of the organization; **or** (c) has or shares authority to control 10% or more of the organization's capital expenditures, operating budget, or compensation for employees.
- b. *Interest* means any commitment, investment, relationship, obligation, or involvement, financial, personal, or otherwise, direct or indirect, that may influence a person's judgment, including receipt of compensation or intellectual knowledge from the Organization, a sale, loan, or exchange transaction with the Organization.
- c. A *conflict of interest* is present when, in the judgment of the Executive Board of Directors, an insider's stake in the transaction is such that it reduces the likelihood that an insider's influence can be exercised impartially in the best interests of the Organization.
- d. *Transaction* means any transaction, agreement, or arrangement between an

insider and the Organization, or between the Organization and any third party where an insider has an interest in the transaction or any party to it.

II. Identifying Conflicts of Interest

1. What is a Conflicts of Interest?

- a. A potential conflict of interest arises when a director, a chief officer, financial official, or a key employee, or the person's relative or business (a) stands to gain a financial or programmatic benefit from an action the Organization takes, or a transaction into which the Organization enters; or (b) has another interest that impairs, or could be seen to impair, the independence or objectivity of the director, chief officer, financial official, or key employee in discharging their duties to the Organization.

2. What are some example of potential conflicts of interest?

- a. It is impossible to list all the possible circumstances that could present conflicts of interest. Potential conflicts of interest include situations in which a director, a chief officer, financial official, or a key employee or that person's relative or business:
 - i. has an ownership or investment interest in any third party that the Organization deals with or is considering dealing with;
 - ii. serves on the State Board of, participates in the management of, or is otherwise employed by or volunteers with any third party that the Organization deals with or is considering dealing with;
 - iii. receives or may receive compensation or other benefits, such as programmatic benefits, in connection with a transaction into which the organization enters;
 - iv. receives or may receive personal gifts or loans from third parties dealing with the Organization;
 - v. serves on the State Board of directors of another nonprofit organization that is competing with the Organization for a grant or contract, or has similar or conflicting interests;
 - vi. has a close personal or business relationship with a participant in a transaction being considered by the Organization;
 - vii. would like to pursue a transaction being considered by the Organization for their personal benefit.
3. **In situation where you are uncertain, err on the side of caution** and disclose the potential conflict as set forth in Section III of this policy.
4. **A potential conflict is not necessarily a conflict of interest.** A person has a conflict of interest only if the State Board decides, pursuant to Section IV of this policy, that a conflict of interest exists.

III. Duty to Disclose

1. Each insider shall disclose to the State Board all material facts regarding his or her interest in the transaction, promptly upon learning of the proposed transaction.
2. You must disclose to the best of your knowledge all potential conflicts of interest before actions involving potential conflicts are taken. Submit a signed, written

statement disclosing all the material facts to the State Board.

3. You must file an annual disclosure statement in the form attached to this policy.

IV. Determining Whether a Conflict of Interest Exists

1. With regard to an insider, the Executive Board shall determine if a conflict of interest exists, after there has been disclosure and relevant information has been gathered. The insider(s) and any other interested person(s) involved with the transaction shall not be present during the Executive Board's discussion or determination of whether a conflict of interest exists, except as provided in Section V below.
2. In determining whether a conflict of interest exists, the Executive Board shall consider whether the potential conflict of interest would cause a transaction entered into by the Organization to raise questions of bias, inappropriate use of the Organization's assets, or any other impropriety.
3. A conflict always exists in the case of a related party transaction – a transaction, agreement, or other agreement in which a related party has a financial interest and in which the Organization or any affiliate of the Organization is a participant.
4. If the Executive Board determines that there is a conflict of interest, it shall refer the matter to the State Board of directors.

V. Procedures for Addressing a Conflict of Interest

1. When a matter involving a conflict of interest comes before the Executive Board, the Executive Board may seek information from the director, officer or key person with the conflict prior to beginning deliberation and reaching a decision on the matter. However, a conflicted person shall not be present during the discussion or vote on the matter and must not attempt to influence improperly the deliberation or vote.
2. The Executive Board shall follow the procedures set forth in Section VI in order to decide what measures are needed to protect the Organization's interests in light of the nature and seriousness of the conflict, to decide whether to enter into the transaction and, if so, to ensure that the terms of the transaction are appropriate.

VI. Review by the Board

1. The Executive Board may ask questions of and receive presentation(s) from the insider(s) and any other interested person(s), but shall deliberate and vote on the transaction in their absence. The Executive Board shall ascertain that all material facts regarding the transaction and the insider's conflict of interest have been disclosed to the Executive Board and shall compile appropriate data, such as comparability studies, to determine fair market value for the transaction.
2. After exercising due diligence, which may include investigating alternatives that present no conflict, the Executive Board shall determine whether the transaction is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable to the Organization; the majority of disinterested members of the Executive Board then in office may approve the transaction.
3. Additional procedures for addressing related party transactions:
 - a. The Organization may not enter into a related party transaction unless, after good faith disclosure of the material facts by the operators or key person(s) of the Executive Board determine that the transaction is fair, reasonable and in the Organization's best interest at the time of such determination.

- b. If the related party has a substantial financial interest, the Executive Board shall:
 - i. prior to entering into the transaction, consider alternative transactions to the extent available;
 - ii. approve the transaction by a vote of not less than a majority of the directors present at the meeting; and
 - iii. contemporaneously document in writing the basis for its approval, including its consideration of any alternative transactions.

VII. Records of Proceedings

1. The minutes of any Board meeting at which a matter involving a conflict of interest or potential conflict of interest was discussed or voted upon shall include:
 - a. the name of the interested party and the nature of the interest;
 - b. the decision as to whether the interest presented a conflict of interest;
 - c. any alternatives to a proposed contract or transaction considered by the Executive Board; and
 - d. if the transaction was approved, the basis for the approval.

VIII. Annual Disclosure and Compliance Statements

1. Each director, chief officer, financial official, or key employee of the Organization, shall annually sign a statement on the form attached, that:
 - a. affirms that the person has received a copy of this conflict of interest policy, has read and understood the policy, and has agreed to comply with the policy; and
 - b. discloses the person's financial, personal, and programmatic interests that could give rise to conflicts of interest.

IX. Violations

1. If the Executive Board has reasonable cause to believe that an insider of the Organization has failed to disclose actual or possible conflicts of interest, including those arising from a transaction with a related interested person, it shall inform such insider of the basis for this belief and afford the insider an opportunity to explain the alleged failure to disclose. If, after hearing the insider's response and making further investigation as warranted by the circumstances, the Executive Board determines that the insider has failed to disclose an actual or possible conflict of interest, the Executive Board shall take appropriate disciplinary and corrective action.

X. Annual Reviews

1. To ensure that the Organization operates in a manner consistent with its status as an organization exempt from federal income tax, the Executive Board shall authorize and oversee an annual review of the administration of this conflict of interest policy. The review may be written or oral. The review shall consider the level of compliance with the policy, the continuing suitability of the policy, and whether the policy should be modified and improved.

TEXAS ENERGY MANAGERS ASSOCIATION
CONFLICT OF INTEREST POLICY:
ACKNOWLEDGMENT AND FINANCIAL, PERSONAL, AND PROGRAMMATIC INTEREST
DISCLOSURE STATEMENT

Texas Energy Managers Association (the "Organization") follows a conflict of interest policy designed to foster public confidence in our integrity and to protect our interest when we are contemplating entering a transaction or arrangement that might benefit the private interest of a director, a c officer, our top management official and top financial official, or any of our key employees.

Part I. Disclose Potential Conflict of Interest

In the space below, disclose any potential conflict of interest, to the best of your knowledge:

1. Any entity which you participate (as a director, officer, employee, owner, or member) with which the Organization has a relationship;
2. Any transaction(s) in which the Organization is a participant as to which you might have a conflicting interest, whether financially, personally, or programmatically; and
3. Any other situation(s) which may pose a conflict of interest.

Part II. Acknowledgment of Receipt

I hereby acknowledge that I have received a copy of the conflict of interest policy of Texas Energy Managers Association, have read and understood it, and agree to comply with its terms.

Signature

Date

Printed Name