

**EXCHANGE CLUB OF SUGAR LAND, TEXAS
CONFLICT OF INTEREST POLICY**

Adopted April 22, 2019

Article I
Purpose

The purpose of this Conflict of Interest Policy is to protect the interests of Exchange Club of Sugar Land, Texas (Club) when it is considering entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Club or might result in a possible “excess benefit transaction”. This policy is intended to supplement but not replace any state or federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Each member of the board has a duty of loyalty to the club. This duty generally requires the director to prefer the interests of the Club over the interests of the directors and officers.

A conflict of interest occurs where individuals’ obligation to further the Club’s charitable purposes is at odds with their own financial interests. For example, a conflict of interest would occur where an officer or director votes on a contract between the Club and a business that is owned by the officer or director. This conflict of interest policy is intended to help ensure that when actual or potential conflicts of interest arise, the Club has a process in place for the affected individual to the board about all the relevant facts concerning the situation. This conflict of interest policy is also intended to establish procedures under which individuals who have a conflict of interest will be excused from voting on such matters.

Apart from any appearance of impropriety, our Club could lose its tax-exempt status unless we operate in a manner consistent with our charitable purposes. Serving private interests more than insubstantially is inconsistent with accomplishing charitable purposes. For example, paying an individual who is in a position of authority excessive compensation serves a private interest. Providing facilities, goods or services to an individual in a position of authority also serves a private interest unless the benefits are part of a reasonable compensation arrangement or they are available to the public on equal terms and conditions.

Article II
Definitions

1. Interested Person

Any director or officer who has a direct or indirect Financial Interest(as defined below) is an “**Interested Person**”.

2. 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 Club is entering a transaction or arrangement,
- b. A compensation arrangement with the Club or with any entity or individual with which the Club is entering a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Club is negotiating a transaction or arrangement.

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

A Financial Interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a Financial Interest would have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

Article III **Procedures**

1. Duty to Disclose

To identify any actual or possible conflict of interest, an Interested Person must disclose the existence of any Financial Interest to the board and be given the opportunity to disclose all material facts to the directors 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, the Interested Person shall leave the board discussion while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. If the Board determines a conflict of interest exists, the President (or the chairperson of the board meeting, if the President is absent) shall appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b. After exercising due diligence, the person or committee shall determine whether the Club 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 a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Club's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination the board shall make a decision as to whether to enter into the transaction or arrangement.

4. **Violations of the Conflicts of Interest Policy**

- a. If the board has reasonable cause to believe a director or officer has failed to disclose an actual or possible conflict of interest, it shall inform the person of the basis for such belief and afford the person an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the person's response and after making further investigation as warranted by the circumstances, the disinterested members of the board determine the person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, up to and including possible removal from office and from the Board.

Article IV
Records of Proceedings

The minutes of the board shall contain:

- a. The names of any 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 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 general 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 V
Compensation

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

Article VI
Annual Statements

Each director and officer 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 Club 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 and cannot serve private interests more than insubstantially.

Article VII
Periodic Reviews

To ensure the Club operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, if the Club pays compensation to anyone or engages the services of a manager or management organization, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. If the Club is paying compensation to anyone, whether the compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b. If the Club has engaged the services of a manager or management organization, whether partnerships, joint ventures, and arrangements with management organizations conform to the Club'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.

Article VIII
Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Club 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.

**EXCHANGE CLUB OF SUGAR LAND, TEXAS
OFFICER AND BOARD MEMBER
ANNUAL CONFLICT OF INTEREST POLICY STATEMENT**

I AFFIRM THAT I:

- a. Have received a copy of the Exchange Club of Sugar Land, Texas Conflicts of Interest Policy,
- b. Have read and understand the policy,
- c. Agree to comply with the policy, and
- d. Understand the Club 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 and cannot serve private interests more than insubstantially.

Sign

Print Name

Date