ETHICS, CONFLICT OF INTEREST AND NEPOTISM POLICY

Preamble

This Policy is adopted by the Board of Directors (collectively, the "Board" or the "Directors" and individually a "Director") of TLC Academy doing business as Texas Leadership Charter Academy (the "Academy" or "TLCA"). The Board is committed to maintaining the highest legal and ethical standards in the conduct of the business of the Academy, and to protecting the integrity and reputation of TLCA, the Board and all the employees, volunteers and programs of TLCA.

Under established principles of law and sound business ethics, the Directors and Officers (as defined below) of TLCA are responsible for exercising their duties honestly, in good faith, and with a high standard of diligence and care. Accordingly, the Directors and Officers have an obligation to keep the welfare of TLCA at all times paramount in order to ensure that they 1) do not compromise their independence of judgment, 2) preserve confidence and trust in the organization and the Board, and 3) protect and fulfill the Academy's mission. Every Director and Officer of TLCA has a duty of loyalty to the Academy. Therefore, activities and financial interests must be arranged so as not to interfere with the primacy of that commitment. This Policy will assist Directors and Officers as they identify actual or potential conflicts of interest and will provide the Board with a procedure to address any conflicts. This Policy is intended to supplement but not replace any applicable federal, state or local laws governing conflicts of interest applicable to charter schools and charitable organizations.

I. Ethical Principles

A. Personal and Professional Integrity. Directors and Officers, as well as employees, volunteers, and advisors of TLCA, must conduct themselves in an honest and ethical manner, including the ethical handling of actual or apparent conflicts of interest, as set forth below.

B. Financial Stewardship. The Academy manages its funds responsibly and prudently. It oversees the funds entrusted to it consistent with state and federal law and consistent with donor intent to support the purpose and mission of TLCA and the students and community in which it operates. It ensures that all spending practices and policies are reasonable and appropriate and all financial reports are factually accurate and complete in all material respects. As a tax-exempt public charity, the Academy uses and expends its funds in a manner that advances the charitable and educational mission and objectives of TLCA and not the private interests of Directors or Officers.

C. Public Accountability. The Academy provides comprehensive and timely information in accordance with applicable state and federal law and is responsive to reasonable requests for information about its activities. Basic informational data about the Academy such as the IRS Form 990, audited financial statements and Annual Financial and Compliance Report shall be made available to the public in accordance with applicable state and federal law.

D. Accuracy and Retention of Records. TLCA will create and maintain records that satisfy operational and legal requirements including federal, state and local laws.

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E. Political Activities. As a 501(c)(3) tax-exempt public charity, TLCA is prohibited from engaging in political activities and its tax-exempt status is in part dependent upon whether it conducts political activities. Anyone serving as a Director, Officer, employee, volunteer, vendor or contractor must not use their relationship with the Academy to promote or oppose candidates or parties or to create the appearance that TLCA endorses or opposes a candidate or party for elected office.

F. Endorsements and Use of TLCA Name and Affiliation. TLCA's name, logo, letterhead or other intellectual property may not be used by any person to endorse or gain support for a cause without prior authorization in writing from the TLCA Board.

G. Questions, Concerns or Reports of Violations. Questions or concerns should be directed to one or more of the following: the President of the Board of Directors or the Superintendent of Schools/Chief Administrative Officer. If a Director, Officer, employee, volunteer or contractor believes a colleague is violating the obligations or expectations of this Policy, or is otherwise acting in an illegal or unethical manner, it is his/her duty to report it. Doing so is not an act of disloyalty, but of loyalty to TLCA and the principles that it intends to uphold and the type of community it seeks to foster. A report also safeguards the reputation and assets of TLCA, and can safeguard an individual from criminal, civil or disciplinary action for failure to report a crime or ethical lapse.

H. Staff Obligations. In addition to this Policy, staff members shall also be obliged to conduct themselves in accordance with, among other things, the employee policies of the Academy.

II. Conflicts of Interest

A. Statement on State Law. The Academy and its Officers and Directors shall comply with state law governing conflicts of interest among charter school and charter holder board members and officers, as described in Chapter 12 of the Texas Education Code and Sections 100.1131 through 100.1135 of Title 19 of the Texas Administrative Code ("19 TAC"), including but not limited to the following legal requirements.

i. Employees Serving on the Board.

(1) A member of the governing body of a charter holder, a member of the governing body of a charter school, and an officer of a charter school shall comply with Texas Local Government Code, Chapter 171, in the manner provided by the conflict of interest provisions described in 19 TAC §§100.1131 - 100.1135.

(2) Except as otherwise provided by law, a person who receives "compensation or remuneration" (as defined by law) from a nonprofit corporation holding an open-enrollment charter may not serve on the governing body of the charter holder.

> (a) If each charter school operated by a charter holder has received an acceptable or higher rating, as defined by applicable law, for at least two of the preceding three school years, then charter school employees may serve on the governing body of the charter holder as described below and as provided by law.
>
> (b) An employee of a charter school may serve as a member of the governing body of the charter holder if: (i) only employees of the charter school, and not employees of the

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charter holder, serve on the governing body of the charter holder; (ii) the only compensation or remuneration received by the board member is salary, bonuses, benefits, or other compensation received pursuant to the employment relationship with the charter school; (iii) charter school employees do not constitute a quorum of the governing body or any committee of the governing body; and (iv) all charter school employees serving on the governing body comply with all applicable conflict of interest provisions required by law.

ii. Conflicts Requiring an Affidavit and Abstention from Voting.

The following circumstances shall be deemed a Conflict of Interest (as defined below) and the Director or Officer shall, in addition to the procedures set forth in Section C, Conflict of Interest Procedures, take action as described below.

(1) If a Director or Officer has a substantial interest in a business entity or in real property, the official shall file, before a vote, decision, or other action on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest (Refer to Exhibit A.) and shall abstain from further participation in the matter if:

(a) In the case of a substantial interest in a business entity, the vote, decision, or other action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or

(b) In the case of a substantial interest in real property, it is reasonably foreseeable that a vote, decision, or other action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.

(2) The affidavit described above (Refer to Exhibit A.) must be filed with the official record keeper of the charter holder. For TLCA, the affidavit should be filed with the Superintendent of Schools/Chief Administrative Officer.

(3) If a Director or Officer is required to file and does file an affidavit as required above, the Director or Officer is not required to abstain from further participation in the matter requiring the affidavit if:

(a) The Director or Officer is a member of the governing body of the charter holder or the charter school, and

(b) A majority of the members of the governing body of which the Director or Officer is a member is composed of persons who are likewise required to file and who do file affidavits of similar interests on the same official action.

iii. Separate Vote on Budget Item.

The Board of Directors shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a member of the governing body of the charter holder has a substantial interest. Abstention is required except as provided above and in 19 TAC § 100.1133(c), otherwise the affected Director may not participate in that separate vote. The affected Director may vote on a final budget if: (a) the affected Director has complied with this chapter; and (b) the matter in which the affected Director is concerned has been resolved.

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iv. Conflict Disclosure Statement.

For purposes of Local Government Code chapter 176, a local government officer includes the Academy's Superintendent of Schools/Chief Administrative Officer and members of the Board of Directors. The law proscribes that local government officers shall file the required conflicts disclosure statement (Refer to Exhibit B.), as adopted by the Texas Ethics Commission, with respect to an applicable vendor if the vendor enters into a contract with TLCA or if the Academy is considering entering into a contract with the vendor and the vendor:

(1) Has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds $2,500 during the 12-month period preceding the date that the officer becomes aware that a contract has been executed or TLCA is considering entering into a contract with the person; or

(2) Has given to the local government officer or a family member of the officer one or more gifts that have an aggregate value of more than $250 in the 12-month period preceding the date the officer becomes aware that such a contract has been executed or the Academy is considering entering into a contract with the vendor.

A local government officer is not required to file a conflicts disclosure statement in relation to a gift accepted by the officer or a family member of the officer if the gift is:

- Given by a family member of the person accepting the gift;
- A political contribution as defined by Title 15, Election Code; or
- Food, lodging, transportation, or entertainment accepted as a guest.

A local government officer shall file the conflicts disclosure statement (Refer to Exhibit B.) with the records administrator (Superintendent of Schools/Chief Administrative Officer or designee) of TLCA not later than 5:00 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of the statement.

A local government officer commits a Class C misdemeanor if the officer knowingly violates this law. It is an exception to the application of the penalty that the local government officer filed the required conflicts disclosure statement not later than the seventh business day after receiving notice from TLCA of the alleged violation.

Note: The Academy must also provide access on its website to the conflicts disclosure statements and questionnaires (from vendors) required to be filed with the records administrator.

B. Statement on Federal Law. In addition to the state laws described herein, the Academy and its Officers and Directors shall comply with the federal regulations regarding private benefit and excess benefit transactions as described in Section §4958 of the Internal Revenue Code and Section 53.4958 of Title 26 of the Code of Federal Regulations (the "federal tax rules") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Director or Officer or other individual deemed to be a disqualified person under the federal tax rules. A "disqualified person" includes Directors and Officers and any person who is in a

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position to exercise substantial influence over the affairs of the organization. A "disqualified person" includes Family (as defined below) of the disqualified person. For compliance purposes, where state and federal regulations concerning conflicts of interest vary, the Academy and its Officers and Directors shall comply with the most restrictive requirement.

i. Interested Person.

Any Director or Officer, employee, or member of a committee with powers delegated by the Board who has a direct or indirect Interest, as defined below, is an "Interested Person."

(1) A person has an "Interest" if the person has, directly or indirectly, through business, investment, or Family:

(a) an ownership or investment interest, directly or indirectly, in any entity with which the Academy has a transaction or business arrangement,

(b) a compensation arrangement with TLCA or with any entity or individual with which the Academy 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 Academy is negotiating a transaction or arrangement.

(2) "Compensation" is defined to include direct and indirect remuneration as well as gifts or favors that are not insubstantial.

(3) A person has an "Interest" if the person has a substantial interest in a business entity or a substantial interest in real property as described in Section II.B.i above.

ii. Interested Person with Conflict of Interest.

An Interested Person shall have a Conflict of Interest (as defined below) only if the Board or the appropriate committee determines that a Conflict of Interest exists in accordance with the procedures set forth below.

C. Conflict of Interest Procedures

i. Duty of Prior Disclosure.

In connection with any actual or potential conflict of interest, an Interested Person shall disclose the existence of the Interest in writing to the Board as soon as he or she has knowledge of it and the Board shall give such Interested Person the opportunity to disclose all material facts related thereto to the Board or designated committee considering the proposed transaction or business arrangement. Such written disclosure shall be made part of and set forth in the Board minutes. In any event, the disclosure of any actual or potential conflict of interest by an Interested Person should occur prior to any consideration of the proposed transaction or business arrangement by the Board.

(1) Transaction Not Subject to Board Action. An Interested Person with any actual or potential conflict of interest with respect to a transaction or business arrangement that is not the subject of Board action shall disclose the potential conflict to the Superintendent of Schools/

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Chief Administrative Officer or designee. Such disclosure shall be made as soon as the Interest is known to the Interested Person.

(2) Untimely Disclosure. If an Interested Person fails to disclose the Interest before the Board acts on a transaction as to which a Director has an Interest, then the Interested Person shall promptly submit a written statement to the Board setting forth all material facts regarding the Interest, along with an explanation concerning the untimely nature of the notice.

(3) Failure to Disclose. If the Board has reasonable cause to believe that an Interested Person failed to disclose an Interest, the Board shall inform the Interested Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose. After hearing the Interested Person's explanation and conducting such investigation as may be warranted under the circumstances, the Board may determine that the Interested Person failed to disclose an actual Conflict of Interest. In such event, the Board shall vote on the appropriate corrective action.

ii. Determining Whether a Conflict of Interest Exists.

After disclosure of the Interest and all material facts related thereto, the Interested Person shall leave the meeting of the Board or designated committee while a determination is made by disinterested Directors as to whether a conflict of interest ("Conflict of Interest") exists. No Director shall vote on any matter in which he or she has a Conflict of Interest.

iii. Vote by Disinterested Directors.

(1) Nonparticipation of Directors with Conflict. A Director who has a Conflict of Interest shall neither vote nor participate in, nor be permitted to hear the Board's discussion of the matter, except to disclose material facts and to respond to questions. Such Director shall not attempt to exert his or her influence with respect to the matter, either before, during or outside of the Board meeting.

(2) Action by Disinterested Directors. If the Board concludes that a Conflict of Interest exists, the Board shall determine by vote whether the transaction should be authorized, approved or ratified. The vote shall be conducted as follows:

(a) Except as otherwise permitted by law, Directors with a Conflict of Interest shall leave the room in which the meeting is conducted; and

(b) Except as otherwise allowed by law, a majority of the disinterested Directors, without regard to any quorum requirement, must vote affirmatively for the transaction to be authorized, approved or ratified. However, a transaction cannot be authorized, approved or ratified by a single Director.

(3) Vote Not Disallowed by Presence of Directors with a Conflict. The presence of, or a vote cast by, a Director with a Conflict of Interest in a transaction does not affect the validity of a vote regarding the transaction if the transaction is otherwise authorized, approved or ratified as prescribed herein.

(4) **Circumstances in which Comparability Data is Necessary**. If the transaction involves compensation for services of a Director, an Officer, or other individual deemed to be a

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disqualified person (as defined above) under the federal tax rules, or if the transaction involves the transfer of property or other benefit to a Director, Officer, or other individual deemed to be a disqualified person under the federal tax rules, the disinterested Directors or committee must determine that the value of the economic benefit provided by TLCA to the Interested Person or persons does not exceed the value of the consideration received in exchange by obtaining and reviewing appropriate comparable data ("Comparability Data").

(a) When considering the comparability of compensation for example, the relevant data which the Board or committee may consider includes, but is not limited to, the following: (1) compensation levels paid by similarly situated schools; (2) the availability of similar services within the same geographic area; (3) current compensation surveys compiled by independent firms; and (4) written offers from similar institutions competing for the same person's services. When the transaction involves the transfer of real property as compensation, the relevant factors include, but are not limited to, (1) current independent appraisals of the property and (2) offers received in a competitive bidding process.

(b) Based on the Comparability Data, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is fair and reasonable to TLCA. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or business arrangement.

(c) If such transaction or business arrangement is approved by the Board or committee, the Comparability Data and the approval shall be made part of the Board minutes in accordance with Section (iv) below.

iv. Documentation.

The Board Secretary shall keep accurate minutes reporting:

(1) Interest Disclosed; Determination of Conflict of Interest. That the Interested Person(s) disclosed the Interest and the Board determined whether a Conflict of Interest exists. The minutes should include:

(a) The name(s) of the person(s) who disclosed or otherwise were found to have an Interest in connection with an actual or possible conflict of interest, the nature of the Interest, any action taken to determine whether a Conflict of Interest was present, and the Board's or committee's decision as to whether a Conflict of Interest in fact existed; and

(b) The names of the persons who were present for discussions and votes relating to the Conflict of Interest, the content of the discussion including any alternatives to the proposed transaction or business arrangement, and a record of any votes taken in connection with the proceedings;

(2) **Nonparticipation of Directors with Conflict.** That the Director or Directors with an Interest or a Conflict of Interest left the room and did not participate in the determination of whether a Conflict of Interest exists or the vote regarding the transaction or business arrangement;

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(3) **Comparability Data.** The Comparability Data considered and relied upon by the Board in its consideration of the transaction or business arrangement; and

(4) **Vote of Disinterested Directors.** That the remaining disinterested Directors reviewed the transaction or business arrangement and voted upon it, and the result of their vote.

D. Compensation. A Director who receives compensation, directly or indirectly, from TLCA for employment or contracted services is precluded from voting on matters pertaining to that Director's compensation.

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

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

iii. Except with respect to Board decisions regarding a bona fide class or category of employees pursuant to Texas Local Government Code Section 573.062(b), a voting member of the Board or any committee whose jurisdiction includes compensation matters is precluded from voting on personnel matters (including matters related to compensation) concerning a person related within the third degree by consanguinity or within the second degree by affinity (as defined below and as specified by Section 573.002 of the Texas Government Code).

E. Definitions. The following terms shall have the following meaning.

i. Director or Officer. A member of the governing body of a charter holder, a member of the governing body of a charter school, or an officer of a charter school. An officer means a person charged with the duties of, or acting as, a chief executive officer, a central administration officer, a campus administration officer, or a business manager, regardless of whether the person is an employee or contractor of a charter holder, charter school, management company, or any other person; or a volunteer working under the direction of a charter holder, charter school, or management company. A charter holder employee or independent contractor engaged solely in non-charter activities for the charter holder is not an "officer of a charter school." 19 TAC § 100.1.011(16).

ii. Business entity. A sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, agency, political subdivision, or any other entity recognized by law.

iii. Substantial interest in business entity. A person has a substantial interest in a business entity if: (1) the person owns 10% or more of the voting stock or shares of the business entity or owns either 10% or more or $15,000 or more of the fair market value of the business entity; or (2) funds received by the person from the business entity exceed 10% of the person's gross income for the previous year.

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iv. Substantial interest in real estate. A person has a substantial interest in real estate if the interest is an equitable or legal ownership with a fair market value of $2,500 or more.

v. Substantial interest through a relative or family member. A Director or Officer is considered to have a substantial interest if a person related to the Director or Officer within the third degree by consanguinity or the second degree by affinity, (as defined below) has a substantial interest.

vi. Family. Family means a disqualified person's spouse, siblings, spouses of siblings, ancestors, children, grandchildren, great grandchildren, and spouses of children, grandchildren, and great grandchildren.

III. Nepotism

A. **Nepotism Generally Prohibited.** A Director or Officer may not hire, select, appoint, confirm the appointment of, or vote for the hiring, selection, appointment, or confirmation of an individual that is to be directly or indirectly compensated from public funds or fees of office, if:

i. The person is related to the Director or Officer by consanguinity (blood) within the third degree or by affinity (marriage) within the second degree (as defined below); or

ii. The Director or Officer holds the appointment or confirmation authority as a member of a local board and the person is related to another member of the board by blood or marriage within a prohibited degree. *Gov't Code 573.002, 573.041.*

C. **Independent Contractors.** The nepotism law governs the hiring of an individual, whether the individual is hired as an employee or as an independent contractor.

D. **Payment to Prohibited Person**. A Director or Officer may not approve an account or draw or authorize the drawing of a warrant or order to pay the compensation of an ineligible person if the Director or Officer knows the person is ineligible. *Gov't Code 573.083;* 19 TAC § 100.1116.

E. **Relation by Consanguinity.** Two persons are related to each other by consanguinity (blood) if one is a descendant of the other or if they share a common ancestor. An adopted child is considered to be a child of the adoptive parents for this purpose. *Gov't Code 573.022.*

F. **Third Degree of Consanguinity.** An individual's relatives within the third degree by consanguinity are the individual's:

i. Parent or child (first degree);

ii. Brother, sister, grandparent, or grandchild (second degree); and

iii. Great-grandparent, great-grandchild, aunt or uncle (who is a sibling of a parent of the person), nephew or niece (who is a child of a brother or sister of the person) (third degree). *Gov't Code 573.023.*

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Note: There is no distinction under the nepotism statute between half-blood and full-blood relations. Thus, half-blood relationships fall within the same degree as those of the full blood.

G. Relation by Affinity. Two persons are related to each other by affinity (marriage) if they are married to each other or if the spouse of one of the persons is related by consanguinity to the other person. The ending of a marriage by divorce or the death of a spouse ends relationships by affinity created by that marriage unless a child of the marriage is living, in which case the marriage is considered to continue as long as a child of that marriage lives. This provision applies to a Board member or Officer only until the youngest child of the marriage reaches the age of 21 years. *Gov't Code 573.024.*

H. **First Degree of Affinity.** A husband and wife are related to each other in the first degree by affinity. For other relationships, the degree of affinity is the same as the degree of the underlying relationship by consanguinity. For example, if two persons are related to each other in the second degree by consanguinity, the spouse of one of the persons is related to the other person in the second degree by affinity.

I. **Second Degree of Affinity.** A person's relatives within the second degree by affinity are:

i. The person's spouse;

ii. Anyone related by consanguinity to the person's spouse within the first or second degree; and

iii. The spouse of anyone related to the person by consanguinity within the first or second degree. *Gov't Code 573.025.*

J. **Existing Employees/Continuous Employment.** The nepotism prohibitions do not apply to the appointment of a person to a position if the person is employed in the position immediately before the election or appointment of the Director or Officer to whom the person is related in a prohibited degree and that prior employment is continuous for at least:

i. Thirty days, if the Director or Officer is appointed; or

ii. Six months, if the Director or Officer is elected. *Gov't Code 573.062(a).*

K. **Retired Teachers.** A teacher who has retired from a full-time, certified teacher position has broken his or her employment with TLCA and does not qualify for the continuous-employment exception to the nepotism laws. *Atty. Gen. Op. JC-442 (2001).*

L. **Continuous Employment Exception.** For purposes of calculating the appropriate date for the applicability of the continuous-employment exception, a superintendent with final authority to select personnel is an appointed Director or Officer. *Atty. Gen. Op. GA-177 (2004).* If an employee continues in a position under this exception, the Director or Officer to whom the employee is related in a prohibited degree may not participate in any deliberation or voting on the appointment, reappointment, employment, reemployment, change in status, compensation, or dismissal of the employee, if the action applies only to the employee and is not taken regarding a bona fide class or category of employees. *Gov't Code 573.062(b).* A "change in status" includes a reassignment within an organization, whether or not a change in salary level

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accompanies the reassignment. *Atty. Gen. Op. JC-193 (2000).* For an action to be "taken with respect to a bona fide category of employees," the officeholder's action must be based on objective criteria, which do not allow for the preference or discretion of the officeholder. *Atty. Gen. Op. DM-46 (1991).* The nepotism prohibitions do not apply to appointment or employment of a substitute teacher. *Gov't Code 573.061.*

M. **Trading Prohibited.** A Director or Officer may not hire, select, appoint, confirm the appointment of, or vote for the hiring, selection, appointment, or confirmation of an individual to a charter position in which the individual's services are under the Director or Officer's direction or control if:

i. The person is related to another Director or Officer within the prohibited degree; and

ii. The appointment would be carried out in whole or in partial consideration for the other Director or Officer's hiring, selecting, appointing, confirming, or voting for an individual who is related to the first Director or Officer within a prohibited degree. *Gov't Code 573.044.*

N. **Source of Funding Irrelevant.** The rules against nepotism apply to employees paid with public funds, regardless of the source of those funds. Thus, the rules apply in the case of a teacher paid with funds from a federal grant. *Atty. Gen. L.A. No. 80 (1974).*

O. Nepotism Exceptions. The nepotism exceptions described in 19 TAC § 100.1115 also apply. Notwithstanding an exception, a Director or Officer related in a prohibited degree may not participate in any deliberation or voting on the appointment, reappointment, or confirmation of same, employment, reemployment, change in status, compensation, or dismissal of an individual, unless the action is taken regarding a bona fide class or category of employees.

P. Enforcement of Nepotism Prohibitions. In accordance with state law, a Director of Officer who violates the nepotism regulations shall be removed from office by the Board of Directors of TLCA. A failure to thus remove is a material charter violation.

i. Removal must be in accordance with the Articles and Bylaws of TLC Academy and in accordance with the terms of the charter and other state and federal law.

ii. A Director or Officer violating the nepotism laws may also be removed by the Attorney General and may be subject to criminal and other penalties.

IV. Confidentiality

A. No Improper Disclosure. A Director and Officer shall exercise care not to disclose Confidential Information. Confidential Information is information deemed confidential by law, and any information not generally known or publicly available or that the Academy maintains as confidential, proprietary, restricted, or otherwise as not to be disclosed generally and any information that the Board or the Academy otherwise determines or deems as Confidential Information.

B. No Use of Information for Personal Benefit. A Director shall not use TLCA property, Confidential Information or the status of his or her position to solicit business for others or in any other manner obtain a private financial, social or political benefit.

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V. Disclosure and Annual Review

A. New Directors and Officers. Each new Director and Officer shall review a copy of this Policy and shall complete the Annual Statement of Disclosure and Compliance attached hereto.

B. Periodic Review. To ensure that the Academy 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 are the result of arm's length bargaining; (b) whether partnerships, joint ventures, and arrangements with management organizations conform to TLCA'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.

C. Annual Review. Each Director and Officer shall annually complete the Annual Statement of Disclosure and Compliance. The Board shall treat completed Annual Statements of Disclosure and Compliance as Confidential Information to the extent permitted by law.

Adopted the 31st day of August, 2016

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APPENDIX A: ANNUAL STATEMENT OF DISCLOSURE AND COMPLIANCE

Annual Statement of Disclosure and Compliance

Name: _____

Position: _____

Please describe below any relationships, positions, or circumstances in which you are involved that you believe could be considered an Interest or that might be perceived as an actual or possible Conflict of Interest as defined in the Texas Leadership Charter Academy Ethics, Conflict of Interest and Nepotism Policy. Please also describe any familial relationships that would qualify as relationships within the prohibited degree as defined in the Texas Leadership Charter Academy Ethics, Conflict of Interest and Nepotism Policy.

_____

_____

_____

I am involved in no activity, relationship, position or circumstance that could be considered an Interest or might be perceived as an actual or possible Conflict of Interest as defined in the Texas Leadership Charter Academy's Ethics, Conflict of Interest and Nepotism Policy. I do not have any familial relationships that would qualify as relationships within the prohibited degree as defined in the Texas Leadership Charter Academy Ethics, Conflict of Interest, and Nepotism Policy.

I hereby certify that the information as set forth above is true and complete to the best of my knowledge. I have reviewed and agree to abide by the Ethics, Conflict of Interest and Nepotism Policy of Texas Leadership Charter Academy that is currently in effect.

Signature: _____

Date:_____

The following pages contain forms that may be used for compliance with disclosure requirements discussed above.

Exhibit A: Affidavit Disclosing Substantial Interest in a Business Entity or Real Property, as defined in Texas Local Government Code 171.002 and Affidavit of Abstention.

Exhibit B: ADDITIONAL DISCLOSURE: The conflicts disclosure statement required of members of the Board of Directors and the Superintendent of Schools/Chief Administrative Officer by Local Government Code 176.003–.004 is attached and available on the Texas Ethics Commission website at: https://www.ethics.state.tx.us/filinginfo/conflict_forms.htm.

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Exhibit A: Affidavit Disclosing Substantial Interest in a Business Entity or Real Property and Affidavit of Abstention

Affidavit Disclosing Substantial Interest in a Business Entity or Real Property and Affidavit of Abstention

STATE OF TEXAS
COUNTY OF [_____]

I, _____ *(name)*, as a local public official of [INSERT SCHOOL NAME], make this affidavit and hereby on oath state the following: I, or a person(s) related to me in the first degree, have a substantial interest in:

☐ A business entity, as those terms are defined in Local Government Code Sections 171.001–171.002, that would experience a special economic effect distinguishable from its effect on the public by a vote or decision of the Board.

or

☐ Real property for which it is reasonably foreseeable that the Board's action or my action will have a special economic effect on the value of the property distinguishable from its effect on the public.

The business entity or real property is *(name/address of business or description of property)*:

_____.

_____ *("I" or name of relative and relationship)* (have)(has) a substantial interest in this business entity or real property as follows: *(check all that apply)*

☐ Ownership of ten percent or more of the voting stock or shares of the business entity.

☐ Ownership of ten percent or more of the fair market value of the business entity.

☐ Ownership of $15,000 or more of the fair market value of the business entity.

☐ Funds received from the business entity exceed ten percent of _____ *(my, her, his)* gross income for the previous year.

☐ Real property is involved and _____ *(I, she, he)* (have)(has) an equitable or legal ownership with a fair market value of at least $2,500.

The statements contained herein are based on my personal knowledge and are true and correct.

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Abstention. Upon the filing of this affidavit with the Board's Secretary, I affirm that I shall abstain from participation in any decision involving this business entity or real property, unless permitted according to Local Government Code 171.004(c).

Signed this _____ day of _____ *(month)*, _____ *(year)*.

Signature of official _____

Title _____

ACKNOWLEDGEMENT

STATE OF TEXAS
COUNTY OF [_____]

Sworn to and subscribed before me on this _____ day of _____ *(month)*,

_____ *(year)*.

_____, Notary Public in and for the State of Texas

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Exhibit B: Form CIS – Local Government Officer Conflicts Disclosure Statement

LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT **FORM CIS**

(Instructions for completing and filing this form are provided on the next page.)

This questionnaire reflects changes made to the law by H.B. 23, 84th Leg., Regular Session.

This is the notice to the appropriate local governmental entity that the following local government officer has become aware of facts that require the officer to file this statement in accordance with Chapter 176, Local Government Code.

OFFICE USE ONLY

Date Received

1 **Name of Local Government Officer**

2 **Office Held**

3 **Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code**

4 **Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3.**

5 **List gifts accepted by the local government officer and any family member, if aggregate value of the gifts accepted from vendor named in item 3 exceeds $100 during the 12-month period described by Section 176.003(a)(2)(B).**

Date Gift Accepted _____ Description of Gift _____

Date Gift Accepted _____ Description of Gift _____

Date Gift Accepted _____ Description of Gift _____

(attach additional forms as necessary)

6 **AFFIDAVIT**

I swear under penalty of perjury that the above statement is true and correct. I acknowledge that the disclosure applies to each family member (as defined by Section 176.001(2), Local Government Code) of this local government officer. I also acknowledge that this statement covers the 12-month period described by Section 176.003(a)(2)(B), Local Government Code.

_____
Signature of Local Government Officer

AFFIX NOTARY STAMP / SEAL ABOVE

Sworn to and subscribed before me, by the said_____, this the_____ day of _____, 20 _____ , to certify which, witness my hand and seal of office.

_____
Signature of officer administering oath | Printed name of officer administering oath | Title of officer administering oath

Form provided by Texas Ethics Commission www.ethics.state.tx.us Revised 11/30/2015

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LOCAL GOVERNMENT OFFICER CONFLICTS DISCLOSURE STATEMENT

Section 176.003 of the Local Government Code requires certain local government officers to file this form. A "local government officer" is defined as a member of the governing body of a local governmental entity; a director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or an agent of a local governmental entity who exercises discretion in the planning, recommending, selecting, or contracting of a vendor. This form is required to be filed with the records administrator of the local governmental entity not later than 5 p.m. on the seventh business day after the date on which the officer becomes aware of the facts that require the filing of this statement.

A local government officer commits an offense if the officer knowingly violates Section 176.003, Local Government Code. An offense under this section is a misdemeanor.

Refer to chapter 176 of the Local Government Code for detailed information regarding the requirement to file this form.

INSTRUCTIONS FOR COMPLETING THIS FORM

The following numbers correspond to the numbered boxes on the other side.

1. Name of Local Government Officer. Enter the name of the local government officer filing this statement.

2. Office Held. Enter the name of the office held by the local government officer filing this statement.

3. Name of vendor described by Sections 176.001(7) and 176.003(a), Local Government Code. Enter the name of the vendor described by Section 176.001(7), Local Government Code, if the vendor: a) has an employment or other business relationship with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code; b) has given to the local government officer or a family member of the officer one or more gifts as described by Section 176.003(a)(2)(B), Local Government Code; or c) has a family relationship with the local government officer as defined by Section 176.001(2-a), Local Government Code.

4. Description of the nature and extent of each employment or other business relationship and each family relationship with vendor named in item 3. Describe the nature and extent of the employment or other business relationship the vendor has with the local government officer or a family member of the officer as described by Section 176.003(a)(2)(A), Local Government Code, and each family relationship the vendor has with the local government officer as defined by Section 176.001(2-a), Local Government Code.

5. List gifts accepted, if the aggregate value of the gifts accepted from vendor named in item 3 exceeds $100. List gifts accepted during the 12-month period (described by Section 176.003(a)(2)(B), Local Government Code) by the local government officer or family member of the officer from the vendor named in item 3 that in the aggregate exceed $100 in value.

6. Affidavit. Signature of local government officer.

Local Government Code § 176.001(2-a): "Family relationship" means a relationship between a person and another person within the third degree by consanguinity or the second degree by affinity, as those terms are defined by Subchapter B, Chapter 573, Government Code.

Local Government Code § 176.003(a)(2)(A):

(a) A local government officer shall file a conflicts disclosure statement with respect to a vendor if:

***

(2) the vendor:

(A) has an employment or other business relationship with the local government officer or a family member of the officer that results in the officer or family member receiving taxable income, other than investment income, that exceeds $2,500 during the 12-month period preceding the date that the officer becomes aware that:

(i) a contract between the local governmental entity and vendor has been executed; or

(ii) the local governmental entity is considering entering into a contract with the vendor.

Form provided by Texas Ethics Commission www.ethics.state.tx.us Revised 11/30/2015

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