

SAN ANTONIO YOUTH LITERACY

Conflict of Interest Policy

Article I

Purpose

The purpose of this conflict of interest policy is to protect the interests of San Antonio Youth Literacy (SAYL) when SAYL is contemplating entering a transaction or arrangement that might benefit the private interest of an Officer or Director of SAYL or might result in an "excess benefit transaction." This policy is intended to supplement but not replace any applicable state and federal laws (including Texas Business Organizations Code § 22.230) governing conflict of interest which laws are applicable to nonprofit and charitable organizations.

An "excess benefit transaction" is a transaction in which an economic benefit is provided by a tax-exempt organization, directly or indirectly, to or for the use of a disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration received by the organization.

Article II

Definitions

1. Interested Person

Any Director, Officer, or member of a committee with powers delegated by the SAYL Board of Directors 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, management position, investment, or family:

- a. An ownership or investment interest in any entity with which SAYL has a transaction or arrangement,
- b. A compensation arrangement with SAYL or with any entity or individual with which SAYL has a transaction or arrangement, or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which SAYL is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial.

A financial interest is not necessarily a conflict of interest. A person who has a financial interest has a conflict of interest only if the appropriate Board of Directors or committee decides that a conflict of interest exists.

Article III
Procedures

1. Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and all material facts to the disinterested Directors and members of committees with Board-delegated powers who are considering the proposed transaction or arrangement. An interested Director must make the disclosure to the Chair (or to the Vice Chair, if the interested person is the Chair).

2. Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all material facts, and after any discussion between the Board or committee and the interested person, the interested person shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall then determine whether a conflict of interest exists.

A conflict of interest exists where a person in a position of authority may benefit financially from a decision he or she makes in that capacity, or where a Director (or other person) has a duty to more than one person (who may be himself) or organization, but cannot do justice to the actual or potentially adverse interests of both parties.

3. Procedures for Addressing the Conflict of Interest

If the Board of Directors or committee has determined that a conflict or potential conflict of interest exists, the following procedures shall apply:

- a. The interested person may make a presentation at the Board or committee meeting, but after the presentation, the interested person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement that results in the conflict of interest.
- b. 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.
- c. After exercising due diligence, the Board of Directors or committee shall determine whether SAYL can, with reasonable efforts, obtain a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

- d. If a more advantageous transaction or arrangement is not reasonably attainable under circumstances that would not give rise to a conflict of interest, the Board of Directors or committee shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in SAYL's best interest and for its own benefit, and whether the transaction is fair and reasonable to SAYL. The Board shall make its decision, in conformity with the above determination, as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a. If the Board of Directors or committee has reasonable cause to believe that a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the member and after making such further investigation as may be warranted by the circumstances, the Board or committee determines that the member has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action, which may include any remedy provided under SAYL's Bylaws.

Article IV

Records of Proceedings

The minutes of the Board of Directors and all committees with Board-delegated powers shall contain:

- a. 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, the nature of the financial 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.
- 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 V

Compensation

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

Article VI

Annual Statements

Each Director, principal Officer and member of a committee with Board-delegated powers shall annually sign a statement which affirms that such person:

- a. Has received a copy of the Conflict of Interest Policy,
- b. Has read and understands the policy,
- c. Has agreed to comply with the policy, and
- d. Understands that SAYL 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.

Article VII

Periodic Reviews

To ensure that SAYL 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 that is exempt from federal income tax, periodic reviews of certain of SAYL's arrangements shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's length bargaining.
- b. Whether material partnerships, joint ventures, sponsorship arrangements, and material contracts or arrangements conform to SAYL's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further SAYL's charitable purposes and do not result in private inurement or impermissible private benefit.

Article VIII

Use of Outside Experts

When conducting the periodic reviews described in Article VII, SAYL may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of Directors of its responsibility for ensuring that periodic reviews are conducted.