

TOYS FOR TEXANS

CONFLICT OF INTEREST POLICY

Article I PURPOSE

The purpose of this Conflict of Interest Policy (this “*Conflict Policy*”) is to protect the interests of Toys for Texans (the “*Corporation*”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Corporation or other Interested Person (as defined below) or might result in a possible excess benefit transaction under federal tax laws and regulations. This Conflict Policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II DEFINITIONS

1. “*Family Member*” means a person’s spouse, parents-in-law, ancestors, brothers and sisters (whole or half blood), children (whether natural or adopted), grandchildren, great-grandchildren, and spouses of brothers, sisters, children, grandchildren and great-grandchildren.
2. A person has a financial interest (“*Financial Interest*”) if the person or any Family Member of such person has, directly or indirectly, through business, investment or otherwise:
 - (a) An ownership or investment interest in any entity with which the Corporation has a transaction or arrangement,
 - (b) A compensation arrangement with the Corporation or with any entity or individual with which the Corporation 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 Corporation 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, an Interested Person may have a conflict of interest only if the Board of Directors (the “*Board*”) or appropriate committee, as the case may be, decides that a conflict of interest exists.

3. “*Interested Person*” means any director or officer of the Corporation or any member of a committee with Board delegated powers who has a Financial Interest.

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 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.
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 or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or committee members shall decide if a conflict of interest exists.
3. **Procedures for Addressing the Conflict of Interest.**
 - (a) An 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 involving the possible 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 or committee shall determine whether the Corporation 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.
 - (d) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested directors present whether the transaction or arrangement is in the Corporation's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.
4. **Violations of the Conflicts of Interest Policy.**
 - (a) If the Board or committee has reasonable cause to believe an Interested Person has failed to disclose actual or possible conflicts of interest, it 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.
 - (b) If, after hearing the Interested Person's response and after making further investigation as warranted by the circumstances, the Board or committee

determines the Interested Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV RECORDS OF PROCEEDINGS

The minutes of the Board 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

- (e) A voting member of the Board who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- (b) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation.
- (c) No voting member of the 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 the Board or any committee regarding compensation.

Article VI ANNUAL STATEMENTS

Each director, principal officer, and member of a committee with Board delegated powers shall annually sign a statement that affirms such person:

- (a) has received a copy of this Conflict Policy,
- (b) has read and understands this Conflict Policy,
- (c) has agreed to comply with this Conflict Policy, and

- (k) understands the Corporation is charitable and in order to maintain its federal tax exemption, it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

Article VII PERIODIC REVIEWS

To ensure the Corporation 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 the result of arm's length bargaining,
- (b) 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.

Article VIII USE OF OUTSIDE EXPERTS

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

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ACKNOWLEDGEMENT OF RECEIPT

I, _____, acknowledge that I have received a copy, have read and understand, and agree to abide by the Toys for Texans Conflict of Interest Policy. I further understand that a violation of the policy may result in disciplinary action by the Board of Directors up to and including removal from the Board of Directors or any other position, termination of employment, or exclusion from the volunteer program.

Interested Person

Date