

# **Tomball Economic Development Corporation**

## **Ethics and Conflict of Interest Policy**

### **I. Purpose and Authority**

The Tomball Economic Development Corporation (TEDC) is a nonprofit industrial development corporation created pursuant to Chapters 501 and 505 of the Texas Local Government Code.

The purpose of this Ethics and Conflict of Interest Policy is to:

- Ensure compliance with Chapters 501 and 505 of the Texas Local Government Code and the Texas Non-Profit Corporations Act;
- Implement the conflict-of-interest requirements contained in the TEDC Bylaws;
- Promote transparency, integrity, and accountability in the use of public funds; and
- Protect the public trust by preventing improper personal benefit from Corporation activities.

### **II. Applicability**

This Policy applies to:

- All voting members of the TEDC Board of Directors; and
- Ex-officio Directors, to the extent applicable to ethical conduct, disclosure, and participation in Board deliberations

### **III. Governing Law and Standards**

Directors of the TEDC are subject to and shall comply with:

1. **Chapters 501 and 505, Texas Local Government Code;**
2. The **TEDC Bylaws**, including Article V, Section 5.03 (Potential Conflicts of Interest; Code of Ethics);
3. The **Code of Ethics of the City of Tomball, Texas**
4. **Chapter 22 of the Texas Business Organizations Code;** and
5. Other applicable state and local laws.

In the event of a conflict between this Policy and applicable law or the TEDC Bylaws, the applicable law and Bylaws shall control.

#### IV. Public Purpose and Fiduciary Duty

Pursuant to Chapters 501 and 505, TEDC exists solely to accomplish a **public purpose** related to economic development. Directors serve as fiduciaries of public resources and shall:

- Act in good faith;
- Exercise ordinary business judgment; and
- Make decisions solely in the best interests of the Corporation and the City of Tomball.

No Director may use their position to secure a personal, financial, or business benefit that is inconsistent with the Corporation's public purpose.

#### V. Definition of Conflict of Interest

A **Conflict of Interest** exists when a Director has a **substantial interest**, direct or indirect, in a business entity or real property that is the subject of deliberation, action, or decision by the Board of Directors.

A Conflict of Interest includes:

- Actual conflicts;
- Potential conflicts; and
- Situations that create the appearance of impropriety or divided loyalty.

#### VI. Substantial Interest

For purposes of this Policy, a Director is deemed to have a **substantial interest** in a business entity or real property if any of the following conditions apply. When disclosing a conflict, the Director shall identify all applicable bases for the interest:

A Director has a substantial interest in a **business entity** if the Director:

- Owns **any voting stock or shares** of the business entity;
- Owns **any portion of the fair market value** of the business entity;
- Received **funds from the business entity that exceed 10 percent of the Director's gross income for the previous year; or**
- **Is a manager, officer, or member of the business entity or of affiliate or associate of the business entity.**

A Director has a substantial interest in **real property** if:

- The matter involves real property in which the Director has an **equitable or legal ownership interest** with a **fair market value of at least \$2,500**.

The existence of a substantial interest requires disclosure and abstention in accordance with this Policy and the TEDC Bylaws.

## **VII. Disclosure Requirements**

Consistent with **Chapter 505 of the Texas Local Government Code** and the TEDC Bylaws:

### **1. Affidavit of Disclosure**

A Director with a substantial interest in a business entity or real property that is the subject of Board deliberation shall file a written affidavit with the Secretary of the Corporation stating the nature and extent of the interest.

### **2. Timing**

The affidavit must be filed **before any vote, decision, or formal action** by the Board on the matter.

### **3. Public Record**

The affidavit shall be maintained as part of the Corporation's official records.

## **VIII. Abstention and Non-Participation**

- A Director who has a substantial interest shall **abstain from voting or deciding** on the matter.
- The Director shall not attempt to influence the outcome of the matter, either formally or informally.
- The abstention and disclosure shall be noted in the official minutes of the Board meeting.

## **IX. Prohibited Benefits and Conduct**

In accordance with Chapters 501 and 505 and the TEDC Bylaws, no Director shall:

- Receive an improper personal or business benefit from the Corporation's operations;
- Use Corporation funds, property, or information for non-public purposes;
- Wrongfully disclose confidential or proprietary information; or
- Take actions that interfere with the Corporation's ability to carry out its public purpose.

## **X. Annual Acknowledgment and Ongoing Duty**

Each Director shall:

- Acknowledge this Policy upon appointment and annually thereafter; and
- Promptly disclose any new or changed circumstances that may give rise to a conflict of interest.

The duty to disclose is ongoing and not limited to scheduled meetings.

## **XI. Enforcement and Remedies**

Failure to comply with this Policy may result in action consistent with:

- Chapters 501 and 505 of the Texas Local Government Code;
- Chapter 22 of the Texas Business Organizations Code
- The TEDC Bylaws; and
- Removal by the City Council of the City of Tomball, with or without cause, as provided in the Bylaws.

## **XII. Adoption and Amendment**

- This Ethics and Conflict of Interest Policy shall take effect upon adoption by the TEDC Board of Directors and approval by the City Council of the City of Tomball, as required under the Development Corporation Act. Amendments shall follow the same approval process.

**AFFIDAVIT OF CONFLICT OF INTEREST**

THE STATE OF TEXAS                    §  
   §  
COUNTY OF HARRIS                    §

I, \_\_\_\_\_, as a member of the Tomball Economic Development Corporation, make this affidavit and hereby on oath state the following: I, and/or a person or persons related to me in the first degree by either affinity or consanguinity, have a substantial interest in a business entity that would be peculiarly affected by a vote or decision of the Tomball Economic Development Corporation as those terms are defined in the Tomball Economic Development Corporation's Conflict of Interest policy.

Date of Meeting: \_\_\_\_\_

Agenda Item Number: \_\_\_\_\_

The Business Entity is \_\_\_\_\_

I have a substantial interest in this business entity for the following reasons: (check all which are applicable)

- \_\_\_\_\_ Ownership of voting stock or shares of the business entity.
- \_\_\_\_\_ Ownership of a portion of the fair market value of the business entity.
- \_\_\_\_\_ A manager, officer or member of the business entity or its affiliate
- \_\_\_\_\_ Funds received from the business entity exceed 10% of my gross income for the previous year.
- \_\_\_\_\_ Real property is involved and I have an equitable or legal ownership with a fair market value of at least \$2,500.
- \_\_\_\_\_ I have a vested interest in the decision made by the Tomball Economic Development Corporation Board of Directors and/or City Council.

\_\_\_\_\_ a person who is related to me within the first degree of consanguinity (blood) or affinity (marriage) has a substantial interest in the involved real property or business entity. I have also checked which of the above types of interest my relative has in item.

Upon the filing of this affidavit with the Official Record Keeper of the City, I affirm that I will abstain from voting on any decision involving this business entity and from any further participation on this matter whatsoever.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

\_\_\_\_\_  
Signature of Official

\_\_\_\_\_  
TEDC Board Member  
Title

BEFORE ME, the undersigned authority, this day personally appeared \_\_\_\_\_ and on oath stated that the facts herein above stated are true to the best of their knowledge or belief.

SWORN TO AND SUBSCRIBED BEFORE ME on this \_\_\_\_\_ day of \_\_\_\_\_, 202\_\_.

\_\_\_\_\_  
Notary Public in and for the State of Texas