

## **PART I: PREAMBLE**

The Board of Directors (collectively, the “Board”, and individually a “Member”) of The UT Tyler University Academy is committed to maintaining the highest legal and ethical standards in the conduct of the business of The University of Texas at Tyler, and to protecting the integrity and reputation of The University of Texas at Tyler, UT Tyler University Academy, the Board, and all related employees, volunteers, and programs.

The Members and Officers (as defined below) shall exercise their duties honestly, in good faith, and with a high standard of diligence and care. Accordingly, the Members and Officers shall 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 mission of The University of Texas at Tyler and UT Tyler University Academy. As such, this Policy will assist Members and Officers as they identify actual or potential conflicts of interest, and with a procedure to address conflicts which may arise.

## **PART II: ETHICAL PRINCIPLES**

### **Sec. 1. PERSONAL AND PROFESSIONAL INTEGRITY**

Members and Officers shall conduct themselves in an honest and ethical manner, including the ethical handling of actual or apparent conflicts of interest, as set forth below.

### **Sec. 2. FINANCIAL STEWARDSHIP**

As a tax-exempt public charity, UT Tyler University Academy shall expend funds and record those expenditures in a manner that advances the charitable and educational mission and objectives of The University of Texas at Tyler and UT Tyler University Academy, and not the private interests of Members or Officers.

### **Sec. 3. PUBLIC ACCOUNTABILITY**

UT Tyler University Academy shall provide comprehensive and timely information in accordance with applicable state and federal law, and shall be responsive to reasonable requests for information about its activities. Additionally, informational data about The University of Texas at Tyler and UT Tyler University Academy, such as 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.

### **Sec. 4. ACCURACY AND RETENTION OF RECORDS**

UT Tyler University Academy will create and maintain records that satisfy operational and legal requirements, including federal, state and local laws.

### **Sec. 5. POLITICAL ACTIVITIES**

UT Tyler University Academy shall not engage in political activities. Members and Officers shall not use their relationship with The University of Texas at Tyler or UT Tyler University Academy to promote or oppose political candidates or parties, or to create the appearance that The University of Texas at Tyler or UT Tyler University Academy endorses or opposes a political candidate or party for elected office.

### **Sec. 6. ENDORSEMENTS AND USE OF NAME AND AFFILIATION**

The University of Texas at Tyler and UT Tyler University Academy 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 from UT Tyler Marketing and Communications.

### **Sec. 7. QUESTIONS, CONCERNS OR REPORTS OF VIOLATIONS**

Should a Member or Officer believe a colleague is violating the obligations or expectations of this Policy, or is otherwise acting in an illegal or unethical manner, it is his or her duty to report the matter to the President of the Board, or the Superintendent, as appropriate.

## **PART III: CONFLICTS OF INTEREST**

### **Sec. 1. STATEMENT ON STATE LAW**

UT Tyler University Academy and its Officers and Members 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 19 TAC §§ 100.1131–100.1135, including, but not limited to the following:

#### ***a) Employees Serving on the Board***

- (1) Members and Officers of UT Tyler University Academy shall comply with Local Government Code, Chapter 171 in the manner provided by the conflict of interest provisions described in 19 TAC §§ 100.1131–100.1135.
- (2) Officers of UT Tyler University Academy are defined by the Commissioner of Education to be persons 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 the charter holder, the school, a management company, or any other person; or a volunteer working under the direction of the charter holder, the school, or a management company. A charter holder employee or independent contractor engaged solely in non-charter activities for the charter holder is not an “officer” of UT Tyler University Academy.

- (3) The UT Tyler University Academy Chief Executive Officer is a person (or persons) directly responsible to the governing body of the charter holder for supervising one or more Central Administration Officers, Campus Administration Officers, and/or Business Managers.
- (4) A Central Administration Officer for UT Tyler University Academy is a person charged with the duties of, or acting as, a Chief Operating Officer, director, or assistant director of the charter holder for UT Tyler University Academy, including one or more of the following functions:
  - (A) assuming administrative responsibility and leadership for the planning, operation, supervision, or evaluation of the education programs, services, or facilities of the Board, for appraising the performance of the Board's or UT Tyler University Academy's staff;
  - (B) assuming administrative authority or responsibility for the assignment or evaluation of any of the personnel of the Board, including those employed by a management company;
  - (C) making recommendations to the Board or UT Tyler University Academy regarding the selection of personnel of the Board, including those employed by a management company;
  - (D) recommending the termination, non-renewal, or suspension of an employee or officer of the Board, including those employed by a management company; or recommending the termination, non-renewal, suspension, or other action affecting a management contract;
  - (E) managing the day-to-day operations of the Board, as its administrative manager;
  - (F) preparing or submitting a proposed budget to the charter holder Board or UT Tyler University Academy (except for developing budgets for a UT Tyler University Academy campus, if this is a function performed by a Campus Administration Officer under the terms of the open-enrollment charter);
  - (G) preparing recommendations for policies to be adopted by the Board, or overseeing the implementation of adopted policies, except for legal services provided by an attorney licensed to practice law in this state, or public accountancy services provided by a certified public accountant licensed to practice public accountancy in this state;
  - (H) developing, or causing to be developed, appropriate administrative regulations to implement policies established by the Board, except for legal services provided by an attorney licensed to practice law in this state, or public accountancy services provided by a certified public accountant licensed to practice public accountancy in this state;

- (I) providing leadership for the attainment of student performance in UT Tyler University Academy, based on the indicators adopted under TEC §§ 39.053–39.054, or other indicators in The University of Texas at Tyler charter; or
  - (J) organizing the central administration of the Board.
- (5) A Campus Administration Officer for UT Tyler University Academy is a person charged with the duties of, or acting as, a principal or assistant principal of a UT Tyler University Academy campus, including one or more of the following functions:
- (A) approving teacher or staff appointments for a UT Tyler University Academy campus, unless this function is performed by a Central Administration Officer under the terms of the open-enrollment charter;
  - (B) setting specific education objectives for a UT Tyler University Academy campus, unless this function is performed by a Central Administration Officer under the terms of the open-enrollment charter;
  - (C) developing budgets for a UT Tyler University Academy campus, unless this function is performed by a Central Administration Officer under the terms of the open-enrollment charter;
  - (D) assuming the administrative responsibility or instructional leadership, under the supervision of a Central Administration Officer, for discipline at a UT Tyler University Academy campus;
  - (E) assigning, evaluating, or promoting personnel assigned to a UT Tyler University Academy campus, unless this function is performed by a Central Administration Officer under the terms of the open-enrollment charter; or
  - (F) recommending to a Central Administration Officer the termination or suspension of an employee assigned to a UT Tyler University Academy campus, or recommending the non-renewal of the term contract of such an employee.
- (6) A Business Manager is a person charged with managing the finances of The University of Texas at Tyler or UT Tyler University Academy.
- (7) **Also Excluded from the Board.** Except as otherwise provided by law, a person who receives “compensation or remuneration” (as defined by law and herein) from the nonprofit corporation holding The University of Texas at Tyler’s open-enrollment charter may not serve on the Board, with the following exceptions:
- (A) If each charter school operated by the Board as charter holder has received a satisfactory accountability rating, as defined by applicable law, for at least two of the

preceding three school years, The University of Texas at Tyler employees may serve on the Board, as described below, and as provided by law.

- (B) If the charter holder has operated at least one charter school which reported attendance that occurred prior to September 2, 2001, but no charter school operated by the charter holder has received a sufficient number of substantive ratings to determine whether it has received a satisfactory rating for at least two of the preceding three school years, then The University of Texas at Tyler employees may serve on the governing body of the charter holder, as provided by law.
- (C) An employee of The University of Texas at Tyler may serve as a Member if: (i) only employees of The University of Texas at Tyler, and not employees of the Board, serve on the Board; (ii) the compensation or remuneration received by that Member is limited to salary, bonuses, benefits, or other compensation received pursuant to the employment relationship with The University of Texas at Tyler; (iii) The University of Texas at Tyler employees do not constitute a quorum of the Board or any committee of the Board; and (iv) all The University of Texas at Tyler employees serving on the Board comply with all applicable conflict of interest provisions required by law.

**b) *Conflicts Requiring an Affidavit and Abstention from Voting***

The following circumstances shall be deemed a Conflict of Interest (as defined below), and the Member or Officer shall, in addition to the procedures set forth in Part III, Section 3 (Conflict of Interest Procedures), take the following action:

- (1) If a Member or Officer has a substantial interest in a business entity or in real property, the Member or Officer 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, 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 is filed with the Secretary of the Board.
- (3) The Member or Officer filing the affidavit shall abstain from further participation in the matter requiring the affidavit. A Member or Officer filing the affidavit shall abstain from further participation in the matter requiring the affidavit unless a majority of the Board is

composed of persons who are likewise required to file, and who do file affidavits of similar interests on the same official action.

**c) *Separate Vote on Budget Item***

The Members shall take a separate vote on any budget item specifically dedicated to a contract with a business entity in which a Member has a substantial interest. Abstention is required, except as provided above and in 19 TAC § 100.1133(c), otherwise the affected Member may not participate in that separate vote. The affected Member may vote on a final budget if: (1) the affected Member has complied with the above-stated requirements; and (2) the matter in which the affected Member is concerned has been resolved.

**Sec. 2. STATEMENT ON FEDERAL LAW**

UT Tyler University Academy and its Officers and Members shall comply with the federal regulations regarding private benefit and excess benefit transactions as described in Section 4958 of the Internal Revenue Code and 26 CFR § 53.4958 (the “federal tax rules”) when it is contemplating entering into a transaction or arrangement that may benefit the private interest of a Member or Officer or other individual deemed to be a disqualified person under the federal tax rules. A “disqualified person” includes Members and Officers, and any person who is in a position to exercise substantial influence over the affairs of the corporation. A “disqualified person” includes Family (as defined below) of the disqualified person.

**a) *Interested Person***

Any Member 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 UT Tyler University Academy has a transaction or arrangement;

(B) a compensation arrangement with UT Tyler University Academy, or with any entity or individual with which UT Tyler University 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 UT Tyler University 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 Part III, Section 2-a-1 above.

***b) 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.

**Sec. 3. CONFLICT OF INTEREST PROCEDURES**

***a) 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 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 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 arrangement that is not the subject of Board action shall disclose to the President of the Board or Superintendent, any such Interest. 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 Member 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.

***b) 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 Members as to whether a conflict of interest (“Conflict of Interest”) exists.* No Member shall vote on any matter in which he or she has a Conflict of Interest.

**c) Vote by Disinterested Members**

- (1) **Nonparticipation of Members with Conflict.** A Member 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 Member 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 Members.** If the Board concludes that a Conflict of Interest exists, the Board shall determine by voting whether the transaction should be authorized, approved or ratified. The vote shall be conducted as follows:
  - (A) Except as otherwise permitted by law, Members with a Conflict of Interest shall leave the room in which the meeting is conducted.
  - (B) Except as otherwise allowed by law, and as set forth in Part III, Section 1-b-3 (Conflicts Requiring an Affidavit and Abstention from Voting), a majority of the disinterested Members, 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 Member.
- (3) **Vote Not Disallowed by Presence of Members with a Conflict.** The presence of, or a vote cast by, a Member 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 Member, an Officer, or other individual deemed to be a disqualified person (as defined above at page 6(B)) under the federal tax rules, or if the transaction involves the transfer of property or other benefit to a Member, Officer, or other individual deemed to be a disqualified person under the federal tax rules, the disinterested Members or committee must determine that the value of the economic benefit provided by UT Tyler University Academy 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: (i) compensation levels paid by similarly-situated schools; (ii) the



availability of similar services within the same geographic area; (iii) current compensation surveys compiled by independent firms; and (iv) 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: (i) current independent appraisals of the property, and (ii) 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 Members or committee members, whether the transaction or arrangement is fair and reasonable to UT Tyler University Academy. In conformity with the above determination, the Board or committee shall make its decision as to whether to enter into the transaction or arrangement.

(C) If such transaction or 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 Part III, Section 3-d (Documentation) below.

**d) 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.

(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 arrangement, and a record of any votes taken in connection with the proceedings.

(C) A completed Affidavit of Abstention complying with Local Government Code Chapter 171 and 19 TAC §§ 100.1131-1134 (*see* Affidavit Exhibit A).

(2) **Nonparticipation of Members with Conflict.** That the Member or Members 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 arrangement;

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

- (4) **Vote of Disinterested Members.** That the remaining disinterested Members reviewed the Transaction and voted upon it, and the result of their vote.

#### **Sec. 4. COMPENSATION**

- (1) A Member who receives compensation, directly or indirectly, from UT Tyler University Academy for services is precluded from voting on matters pertaining to that Member's compensation.
- (2) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from UT Tyler University Academy for services is precluded from voting on matters pertaining to that member's compensation.
- (3) No voting member of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from UT Tyler University Academy, either individually or collectively, is prohibited from providing information to any committee regarding compensation.
- (4) Except with respect to Board decisions regarding a *bona fide* class or category of employees pursuant to Government Code § 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 Government Code § 573.002).

#### **Sec. 5. DEFINITIONS**

The following terms shall have the following meaning:

- (1) **Member 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 or director 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 §100.1001(16).
- (2) **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.

- (3) **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.
- (4) **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.
- (5) **Substantial interest through a relative or family member.** A Member or Officer is considered to have a substantial interest if a person related to the Member or Officer within the third degree by consanguinity or the third degree by affinity (as defined below) has a substantial interest under **Sec. 1.6.2.5(iii)** above. 19 TAC § 100.1132(d).
- (6) **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.

## **PART IV: NEPOTISM**

### **Sec. 1. NEPOTISM GENERALLY PROHIBITED**

A Member or Officer may not hire, select, appoint, confirm the appointment of, or vote for the hiring, selection, appointment, or confirmation of an individual who is to be directly or indirectly compensated from public funds or fees of office, if:

- (1) The person is related to the Member or Officer by consanguinity (blood) within the third degree or by affinity (marriage) within the second degree (as defined below); or
- (2) The Member 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. Government Code §§ 573.002, 573.041.
- (3) Refer to attached diagram, Exhibit B.

### **Sec. 2. INDEPENDENT CONTRACTORS**

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

### **Sec. 3. PAYMENT TO PROHIBITED PERSON**

A Member 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 Member or Officer knows the person is ineligible. Government Code § 573.083; 19 TAC § 100.1116.

#### **Sec. 4. 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. Government Code § 573.022.

##### **a) *Third Degree of Consanguinity***

An individual's relatives within the third degree by consanguinity are the individual's:

- (1) Parent or child (first degree);
- (2) Brother, sister, grandparent, or grandchild (second degree); and
- (3) 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). Government Code 573.023.

**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. *See* Exhibit B.

#### **Sec. 5. 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. Government Code § 573.024.

##### **a) *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.

##### **b) *Second Degree of Affinity***

If two individuals are related to each other in the second degree by consanguinity, the spouse of one of the individuals is related to the other individual in the second degree by affinity.

**c) *Third Degree of Affinity***

An individual's relatives within the third degree of affinity are:

- (1) Anyone related by consanguinity to the person's spouse within the first or second degree; and
- (2) The spouse of anyone related to the person by consanguinity within the first or second degree. Government Code § 573.025.

**Sec. 6. 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 Member or Officer to whom the person is related in a prohibited degree, and that prior employment is continuous for at least:

- (1) Thirty days, if the Member or Officer is appointed;
- (2) Six months, if the Member or Officer is elected. Government Code § 573.062(a); or
- (3) A person who was not restricted or prohibited under Education Code 12.1055 as it existed before September 1, 2013, from being employed by The University of Texas at Tyler and who was employed by The University of Texas at Tyler before September 1, 2013, is considered to have been in continuous employment as provided by Government Code § 573.062(a), and is not prohibited from continuing employment with The University of Texas at Tyler. Education Code § 12.1055(d).

**a) *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 Member or Officer. *Atty. Gen. Op. GA-177 (2004)*. If an employee continues in a position under this exception, the Member 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. Government Code § 573.062(b). A "change in status" includes a reassignment within an organization, whether or not a change in salary level 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. Government Code § 573.061.

**b) *Retired Teachers***

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

**Sec. 7. TRADING PROHIBITED**

A Member 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 Member or Officer's direction or control if:

- (1) The person is related to another Member or Officer within the prohibited degree; and
- (2) The appointment would be carried out, in whole or in partial consideration for the other Member or Officer's hiring, selecting, appointing, confirming, or voting for an individual who is related to the first Member or Officer within a prohibited degree. Government Code § 573.044.

**Sec. 8. 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)*.

**Sec. 9. NEPOTISM EXCEPTIONS**

The nepotism exceptions described in 19 TAC § 100.1115 also apply. Notwithstanding an exception, a Member 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.

**Sec. 10. ENFORCEMENT OF NEPOTISM PROHIBITIONS**

In accordance with state law, a Member or Officer who violates the nepotism regulations shall be removed from office by the Board. A failure to thus remove is a material charter violation.

- (1) Removal must be in accordance with the Articles and Bylaws of UT Tyler University Academy and in accordance with the terms of the charter and other state and federal law.



- (2) A Member or Officer violating the nepotism laws may also be removed by the Attorney General and may be subject to criminal and other penalties.

### **Sec. 11. DELEGATION OF HIRING AUTHORITY**

The Board may delegate final authority to select UT Tyler University Academy personnel to the Chief Executive Officer/Superintendent, Human Resources Director, or other designated Officer.

If such authority is designated to the Chief Executive Officer/Superintendent, the Chief Executive Officer/Superintendent is a “public official” for purposes of Chapter 573, Government Code, with respect to a decision made under that delegation of authority. Education Code § 11.1513(f). As such, if the Chief Executive Officer/Superintendent has been delegated final authority to select UT Tyler University Academy personnel, the Chief Executive Officer/Superintendent may not hire, select, appoint, confirm the appointment of, or vote for the hiring, selection, appointment, or confirmation of an individual who is to be directly or indirectly compensated from public funds or fees of office, if:

- (1) The person is related to the Chief Executive Officer/Superintendent by consanguinity (blood) within the third degree or by affinity (marriage) within the second degree; or
- (2) The person is related to a Board member by blood or marriage within a prohibited degree. Government Code §§ 573.002, 573.041.

An individual who is related to the Chief Executive Officer/Superintendent within the relevant level or consanguinity (blood) or by affinity (marriage) and was employed by UT Tyler University Academy before September 1, 2013 is considered to have been in continuous employment as provided by Government Code § 573.062(a), and is not prohibited from continuing employment with UT Tyler University Academy.

Notwithstanding the above, each Member remains subject to Chapter 573, Government Code with respect to all UT Tyler University Academy employees. Education Code §§ 11.1513(f), 12.1055.

## **PART V: RELATED PARTY TRANSACTIONS**

### **Sec. 1. COMPLIANCE WITH COMMISSIONER RULE**

UT Tyler University Academy shall comply with all rules issued by the Commissioner of Education concerning related party transactions under Education Code §§ 12.1166–.1167. This includes any rule concerning notification to the Commissioner if UT Tyler University Academy intends to enter into a transaction with a related party and provide an appraisal from a certified appraiser to the Texas Education Agency.

### **Sec. 2. DEFINITIONS**

DATE ISSUED: 11/05/2020

15 of 22

For purposes of this policy, the term “related party” includes:

1. A party seeking to enter into a financial transaction with UT Tyler University Academy, and such party has a current or former Board member, administrator, or officer who is:
  - a. A Board member, administrator, or officer of UT Tyler University Academy; or
  - b. Related within the third degree of consanguinity or affinity, as determined under Chapter 573, Government Code, to a Board member, administrator, or officer of UT Tyler University Academy;
2. UT Tyler University Academy’s related organizations, joint ventures, and jointly governed organizations;
3. UT Tyler University Academy’s Board members, administrators, or officers or a person related to a Board member, administrator, or officer within the third degree of consanguinity or affinity, as determined under Chapter 573, Government Code; and
4. Any other disqualified person, as that term is defined by 26 U.S.C. § 4958(f).

For purposes of subsection 1 above, a person is a former Board member, administrator, or officer if the person served in that capacity within one year of the date on which a financial transaction between UT Tyler University Academy and a related party occurred.

### **Sec. 3. AUDIT BY COMMISSIONER**

If the aggregate amount of all transactions between UT Tyler University Academy and a related party exceeds \$5,000.00, the Commissioner may conduct an audit of such transaction. If the Commissioner determines a transaction with a related party using funds received under Education Code § 12.106 was structured in a manner that did not benefit UT Tyler University Academy or that the transaction was in excess of fair market value, the Commissioner may order that the transaction be reclassified or that other action be taken as necessary to protect UT Tyler University Academy’s interests. Failure to comply with the Commissioner’s order is a material charter violation,.

### **Sec. 4. ANNUAL AUDIT DISCLOSURE**

UT Tyler University Academy must include in its annual audit a list of all transactions with a related party. Additionally, the annual audit must separately disclose:

1. All financial transactions between UT Tyler University Academy and any related party, separately stating the principal, interest, and lease payments; and
2. The total compensation and benefits provided by UT Tyler University Academy and any related party for each member of the Board and each officer and administrator of UT Tyler University Academy and the related party.

## **PART VI: CONFIDENTIALITY**

A Member 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 UT Tyler University Academy maintains as confidential, proprietary, restricted, or otherwise as not to be disclosed generally, and any information that the Board or UT Tyler University Academy otherwise determines or deems as Confidential Information.

A Member shall not use UT Tyler University Academy 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.

## **PART VII: DISCLOSURE AND ANNUAL REVIEW**

### **Sec. 1. NEW MEMBERS AND OFFICERS**

Each new Member and Officer shall review a copy of this Policy and shall complete the Annual Statement of Disclosure and Compliance attached hereto as Exhibit C. The Board shall treat completed Annual Statements of Disclosure and Compliance as Confidential Information.

### **Sec. 2. PERIODIC REVIEW**

To ensure that UT Tyler University 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: (i) whether compensation arrangements and benefits are reasonable based on competent survey information, and are the result of arm's length bargaining; (ii) whether partnerships, joint ventures, and arrangements with management organizations conform to The University of Texas at Tyler and UT Tyler University Academy'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.

### **Sec. 3. ANNUAL REVIEW**

Each current Member and Officer shall complete the Annual Statement of Disclosure and Compliance attached hereto as Exhibit C. The Board shall treat completed Annual Statements of Disclosure and Compliance as Confidential Information.

### **Sec. 4. APPLICABLE LAW**

This Policy is supplemental to and does not replace federal, state or local laws governing conflicts of interest applicable to charter schools and charitable organizations. When in conflict, the applicable law shall control.

Adopted the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
President, Dr. Yanira Olivares Ortiz

\_\_\_\_\_  
Dr. Neil Gray

\_\_\_\_\_  
Secretary, Dr. Michael Odell

\_\_\_\_\_  
Mrs. Laura Owens

\_\_\_\_\_  
Mr. Jeffry Kennemer

\_\_\_\_\_  
Mr. Danny Rodriquez

\_\_\_\_\_  
Mrs. Angela Wright

**EXHIBIT A**  
**AFFIDAVIT OF ABSTENTION**

**STATE OF TEXAS** §  
§  
**COUNTY OF** \_\_\_\_\_ §

I, \_\_\_\_\_, a local public official, make this affidavit and hereby under oath state the following:

I have a substantial interest in a business entity or real property that may receive a special economic effect that is distinguishable from the effect on the public by an action contemplated by UT Tyler University Academy.

The business entity or real property in which I have a substantial interest is: *[name and address of business and/or description of property]*:

---

---

---

I or a person that is related to me within the first degree of consanguinity (blood) or affinity (marriage) as defined by state law has a substantial interest in this business entity or real property for the following reasons *[check all that apply]*:

- ☐ an ownership interest of 10 percent or more of the voting stock or shares of the business entity;
- ☐ an ownership interest of 10 percent or more or \$15,000 or more of the fair market value of the business entity;
- ☐ funds received from the business entity exceed 10 percent of \_\_\_\_\_ (my, his, her) gross income for the previous year;

DATE ISSUED: 11/05/2020

19 of 22

☐ real property is involved and \_\_\_\_\_ (I, he, she) have/has an equitable or legal ownership with a fair market value of at least \$2,500;

Upon filing of this affidavit with the official record keeper of UT Tyler University Academy, I affirm that I shall abstain from voting or further participating in any matter involving the business entity or real property, unless allowed by law.

SIGNED this the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Signature of Affiant

\_\_\_\_\_  
Title

Before me, the undersigned authority, this day personally appeared \_\_\_\_\_  
\_\_\_\_\_ (Affiant Name) and by oath swore that the facts herein above stated are true and correct to the best of his/her knowledge or belief.

SWORN TO and SUBSCRIBED before me on the \_\_\_\_ day of \_\_\_\_\_,  
20\_\_.

\_\_\_\_\_  
Notary Public, State of Texas

(seal)

My commission expires: \_\_\_\_\_

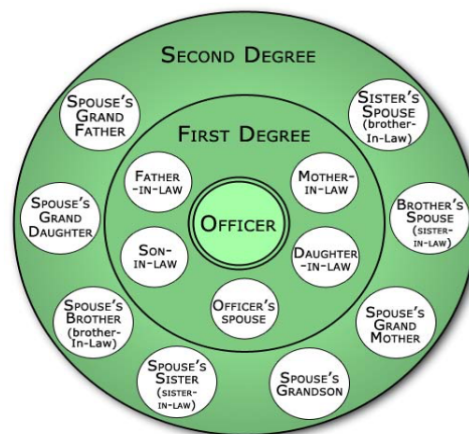


**EXHIBIT B**  
**NEPOTISM CHART**

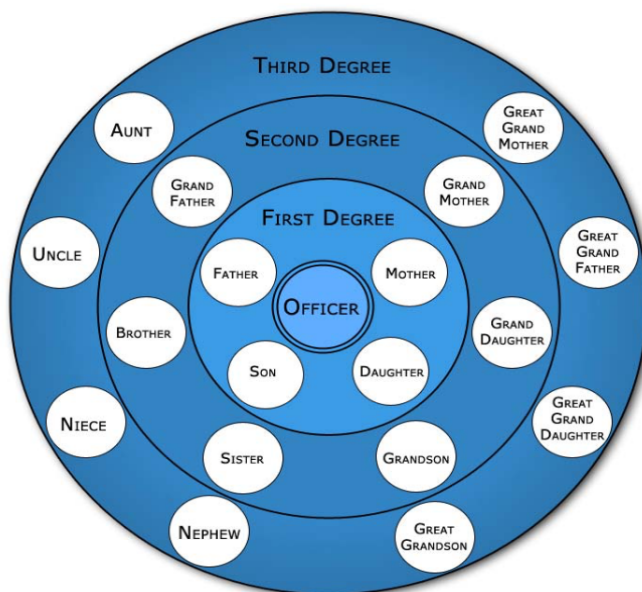
**NEPOTISM CHART**

The chart below shows

- **Affinity Kinship** (relationship by marriage)
- **Consanguinity Kinship** (relationship by blood) for purposes of interpreting nepotism as defined in VTCA Government Code, Chapter 573, §§573.021 - .025



**AFFINITY KINSHIP**  
Relationship by Marriage



**CONSANGUINITY KINSHIP**  
Relationship by Blood

**EXHIBIT C**

**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 UT Tyler University 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 UT Tyler University 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 UT Tyler University Academy 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 UT Tyler University 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 UT Tyler University Academy Ethics, Conflict of Interest and Nepotism Policy that is currently in effect.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_