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**CONFLICT OF INTEREST POLICY OF THE SWEETWATER ENTERPRISE FOR
ECONOMIC DEVELOPMENT MUNICIPAL DEVELOPMENT DISTRICT
DATED May 12, 2025**

**Article I
Purpose**

The purpose of the conflict of interest policy is to protect the Sweetwater Enterprise for Economic Development Municipal Development District's (referred to commonly as "Sweetwater Economic Development" and hereinafter as "**SED**") interest when it is contemplating granting or entering into an incentive, transaction, or other arrangement that might benefit the private interest of an employee, officer or director of SED or might result in a possible excess benefit transaction. This 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. **Interested Person.** Any employee, Director, officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial or business interest in a Transaction, 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, investment, or family:
 - a. An ownership or investment interest in any entity with which SED has entered into, or anticipates to enter into, a Transaction;
 - b. A compensation arrangement with any entity or individual with which SED has entered into, or anticipates entering into, a transaction or arrangement, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which SED is negotiating a Transaction. Compensation includes direct and indirect remuneration as well as gifts, referrals, or favors that are not insubstantial.
3. **Business Interest.** Without limiting the following, for the purpose of this policy, a "Business Interest" is, at a minimum, the same as a "Substantial Business Interest" as defined by Section 171.002 of the Texas Local Government Code, or its successor. A person has an interest in a business entity if:
 - a. The person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year.

- b.** The interest is an equitable or legal ownership with a fair market value of \$2,500 or more.
 - c.** If a person related to the official in the first degree by consanguinity or affinity, as determined under Chapter 573, Government Code, has a substantial interest under this section.
- 4. Director(s).** Means, individually, a member of the Board of Directors of SED, and collectively the Board of Directors of SED, including any subcommittee established by the Board of Directors by SED.
- 5. Transaction.** For the purpose of this policy, a “Transaction” includes any incentive agreement, interlocal agreement, purchase sale agreement, marketing agreement, employment agreement, or other arrangement.
- 6. Conflict of Interest.** An Interest Person has a Conflict of Interest with respect to a Transaction only if, as a result of the Interested Person’s financial or business interest, the Interested Person either will: (i) receive a Special Economic Benefit from the Transaction, or (ii) SED’s Board of Directors determines in its reasonable discretion that an Interested Person’s involvement in such Transaction will undermine the good will and reputation of SED and will impede SED’s ability to fulfill its stated mission.
- 7. Special Economic Benefit.** A Special Economic Benefit means (i) any financial or personal gain that could compromise an individual's impartiality and duty to act in the best interest of SED, (ii) a financial advantage or positive economic impact specifically tied to a business, property, or individual, rather than being a benefit that is generally available to the public, or (iii) as such term is defined by the laws of the State of Texas.

Article III **Procedures**

- 1. Duty to Disclose to Directors.** In connection with any actual or possible Conflict of Interest, an Interested Person must disclose the existence of the financial or business interest to the Directors at a regular or specially called meeting at which a quorum is present and be given the opportunity to disclose all material facts as it relates to the Transaction.
- 2. Determining Whether a Conflict of Interest Exists.** After disclosure of the financial or business interest and all material facts, and after any discussion with the Interested Person, he/she shall leave the meeting while the determination of whether or not a Conflict of Interest exists will be discussed and the Directors, excluding any Director that is an Interested Person, shall decide if a Conflict of Interest exists.
- 3. Procedures for Addressing the Conflict of Interest.** If a Conflict of Interest exists, the Interested Person must file an affidavit stating the nature and extent of the interest and abstain

from participation in such Transaction and/or abstain from voting as required Chapter 171 of the Texas Local Government Code or its successor.

4. Violations of the Conflicts of Interest Policy

- a.** If the Directors have reasonable cause to believe an Interested Person has failed to disclose any 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 Directors determine 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 meeting shall contain the names of the persons who disclosed or otherwise were found to have a financial or business 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 Directors decision as to whether a conflict of interest in fact existed and the affidavit required by Section 171.004 of the Texas Local Government Code.

Article V Annual Statements

Each Director, employee, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a.** Has received a copy of the conflicts of interest policy,
- b.** Has read and understands the policy, and
- c.** Has agreed to comply with the policy.

Article VIII Conformity with State Law

Without limiting the foregoing, each Director, employee, principal officer and member of a committee acknowledges that all actions taken with respect to the SED shall be taken in conformity with Chapter 171 of the Texas Local Government Code or its successor.

The foregoing Policy was adopted by the Board of Directors of the Sweetwater Economic Development, by duly recorded vote, effective immediately on May 12, 2025.

Secretary of the SED

Acknowledgment of Receipt of Conflicts of Interest Policy

As a director, principal officer and member of a committee with governing board delegated powers, I the undersigned acknowledge all of the following by my signature:

- a. I have received a copy of the conflicts of interest policy,
- b. I have read and understood the policy,
- c. I understand my obligations under the Texas Local Government Code, and
- d. I agree to comply with the policy.

A handwritten signature in cursive script, appearing to read "Russ Petty", written over a horizontal line.

Printed Name:

Russ Petty

Date:

5-12-25

Acknowledgment of Texas Open Meetings Act

I acknowledge that I completed the training required pursuant to Section 551.005 of the Texas Government Code regarding the Texas Open Meetings Act (the "Act"). I understand and affirm the purpose of the Act is to make the decision making procedures of Governmental Bodies in the State of Texas transparent, open, and accountable to the people. I understand that for the purposes of the Act, SED is a "Governmental Body" pursuant to Section 377.022 of the Texas Local Government Code. I agree that I shall not disclose the certified agenda or recording of a closed meeting except as required by law. I agree to maintain the confidential nature of information in a manner so as not to undermine the purpose of entering a closed meeting pursuant to Section 551.071 through Section 551.090 of the Texas Government Code to the extent permitted by law. I understand that no final act, decision, or vote may be made while in a closed meeting.

A handwritten signature in black ink, appearing to read "Russ Petty", written over a horizontal line.

Printed Name:

Russ Petty

Date:

6-16-25