Article XII

TRUSTEE CONFLICTS OF INTEREST

12.1 CONFLICTS OF INTEREST

12.1.1 In keeping with the University's high ethical standards, Trustees shall exercise care that no detriment to the University results from conflicts between their interests and those of the University. Trustees shall be sensitive to potential conflicts of interest or the appearance of conflicts of interest even if no actual conflicts exist.

12.1.2 But for the exceptions described below, the University will not enter into any transaction in which a Trustee, or persons or entities closely associated* to that Trustee, have a material financial interest, direct or indirect, or because of which a Trustee's independence of judgment might be impaired. Exceptions to this principle are transactions:

(a) approved by a majority of the Audit Committee. If a majority of the Audit Committee is disqualified from acting or if a majority of the Audit Committee elects to refer the matter to the Executive Committee, then approval by a majority of the Executive Committee shall be required; or

(b) involving competitive bids or standard rates and terms offered to business generally.

12.1.3 Trustees who believe a potential transaction with the University may involve a conflict must report that transaction and all material facts in writing to the Audit Committee in sufficient time for the Audit Committee to approve or disapprove.

* “Closely associated” means:

(i) A spouse, parent, sibling, child, person living in the household or business associate of the Trustee.

(ii) Any entity which is directly or indirectly owned or controlled individually or collectively by you and/or by persons described in (1) above. For this purpose, "owned" means holding more than 35 percent of voting membership rights or voting stock in the entity; "controlled" means comprising over 35 percent of the directors, trustees or other members of the governing body of the entity.

(iii) A law firm, accounting firm or other partnership of which you are or a person described in (i) above is a partner.
12.1.4 When a conflict is under consideration pursuant to 12.1.2 (a) above, no interested Trustee may be present for the discussion or vote. Approval shall be based on a finding that the transaction is fair to the University, that it appears that the University cannot obtain a more advantageous arrangement with reasonable effort, and that the transaction will not constitute an excess benefit under Section 4958 of the Internal Revenue Code.

12.1.5 Annually, each Trustee will sign a statement provided by the University that he/she has read and understands this policy and agrees to comply with it. The Trustee will also disclose on that statement information relating to potential conflicts of interest.

12.1.6 The Audit Committee shall review all such statements with a view to minimizing the potential for any detrimental effects from conflicts and excess benefits under Section 4958 of the Internal Revenue Code. A report of all conflicts voted on during the preceding year or reported by Trustees shall be forwarded to the Board of Trustees by the Audit Committee with a statement of applicable exceptions for each conflict or of a finding of no conflict.