

<b>University Enterprises, Inc. Policies and Procedures</b>	<b>Policy No. 1005</b>
<b>Section:</b> Board of Directors <b>Subject:</b> UEI Conflict of Interest <b>Revised:</b> September 2006	

## University Enterprises, Inc. – Conflict of Interest Policy

### ARTICLE I – Purpose

The purpose of this conflict of interest policy is to protect the interests of University Enterprises, Inc. (“UEI”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a UEI director, a UEI principal officer, or a member of a UEI committee with governing board delegated powers, 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 – Financial Interest Prohibited

No UEI director, UEI principal officer or member of a UEI committee with governing board delegated powers shall have a financial interest in any contract or other transaction entered into by the governing board of UEI (“Board”) or a UEI committee with governing board delegated powers (“Committee”). Any UEI director, UEI principal officer or Committee member who has a financial interest in any contract or other transaction entered into by the Board or a Committee shall be referred to herein as an “Interested Person.” Except as provided in Articles III, below, any contract or transaction entered into in violation of this prohibition shall be void.

### ARTICLE III – Exception to Financial Interest Prohibition

Notwithstanding the prohibition set forth in Article II, above, no contract or other transaction entered into by the Board or a Committee is void, nor shall any Interested Person be disqualified or deemed guilty of misconduct in office, if the following procedures are followed:

- a) Duty to Disclose In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence of his/her financial interest in any contract or other transaction entered into by the Board or a Committee and be given the opportunity to disclose all material facts to the Board and Committee members considering the proposed transaction or arrangement.
- b) 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.

c) Procedures for Addressing the Conflict of Interest

- i) An Interested Person may make a presentation at the Board or Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- ii) 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.
- iii) After exercising due diligence, the Board or Committee shall determine whether UEI 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.
- iv) If a more advantageous transaction or arrangement is not reasonably possible under circumstances which would not produce a conflict of interest, the Board or Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in UEI's best interest, for its own benefit, and whether it is fair, just and reasonable to UEI. In conformity with the above determination, the Board or Committee shall make its decision as to whether to enter into the transaction or arrangement.

d) Violations of the Conflicts of Interest Policy

- i) If the Board or Committee has reasonable cause to believe a UEI director, a UEI principal officer or a Committee member has failed to disclose actual or possible conflicts of interest, it shall inform said director, principal officer or Committee member of the basis for such belief and afford him/her an opportunity to explain the alleged failure to disclose.
- ii) If after hearing the UEI director's, UEI principal officer's or Committee member's response and after making further investigation as warranted by the circumstances, and the Board or Committee determines that said director, principal officer or Committee member has failed to disclose an actual or possible conflict of interest, the Board or Committee shall take appropriate disciplinary and corrective action (i.e., determine whether said director, principal officer or Committee member is disqualified and/or guilty of misconduct in office, and void the contract or transaction).

e) Records of Proceedings

The minutes of the Board and all Committees shall contain:

- i) The names of the UEI directors, UEI principal officers or Committee members 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.
- ii) 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 IV – Prohibited Financial Interests**

The provisions of Article III, above, do not apply under the following circumstances:

- a) The contract or transaction is Between UEI and a UEI director, a UEI principal officer or a Committee member.
- b) The contract or transaction is between UEI and a partnership or unincorporated association of which a UEI director, a UEI principal officer or a Committee member is a partner or in which he/she is the owner or holder, directly or indirectly, of a proprietorship interest.
- c) The contract or transaction is between UEI and a corporation in which a UEI director, a UEI principal officer or a Committee member is the owner or holder, directly or indirectly, of five percent (5%) or more of the outstanding common stock.
- d) An Interested Person, without first disclosing his/her interest to the Board or Committees at a public meeting of the Board or Committee, influences or attempts to influence another member or members of the Board or Committee to enter into the contract or transaction.

#### **ARTICLE V – Compensation**

- a) A voting member of the Board who receives compensation, directly or indirectly, from UEI 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 UEI 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 UEI, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

#### **ARTICLE VI – Annual Statements**

Each UEI director, UEI principal officer and Committee member shall annually sign a statement, which affirms such person:

- a) Has received a copy of the conflict of interest policy,
- b) Has read and understands the conflict of interest policy,
- c) Has disclosed any financial interests he/she has in a contract or transaction entered into by the Board or Committee,
- d) Will disclose any future financial interests in a contract or transaction entered into by the Board or Committee,
- e) Has agreed to comply with the policy, and
- f) Understands UEI is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

#### **ARTICLE VII –Periodic Reviews**

To ensure UEI operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted by the Board or Committee. 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 UEI'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, UEI may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board or Committee of its responsibility for ensuring periodic reviews are conducted.

#### **ARTICLE IX – Use of Nonpublic Information**

It is unlawful for any person to utilize any information that is not a matter of public record, and is received by him/her by reason of his/her membership on the Board or Committee, for personal pecuniary gain, regardless of whether he/she is or is not a member of the Board or Committee at the time such gain is realized.