

## CONFLICT OF INTEREST POLICY

Southwestern University, Georgetown, Texas (the "University") is a non-profit corporation, organized under the laws of the State of Texas, which has no members within the meaning of the Texas Non-Profit Corporation Act (the "Act").

### Article I

#### Purpose

The purpose of the conflicts of interest policy is to protect the University's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Trustee, Officer President's Staff Member, Key Employee (anyone whose compensation is \$150,000 or more, and/or manages a segment or activity of the University that represents 10% or more of the activities, assets, income, or expenses, or someone that meets these same standards or similar standards), or a non-Trustee member of a committee of the Board of Trustees. This policy is intended to supplement but not replace any applicable state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

### Article II

#### Definitions

##### Interested Person

Any Trustee, Officer, President's Staff Member, Key Employee, or a non-Trustee member of a committee of the Board of Trustees who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity of which the University is a part, he or she is an interested person with respect to all entities.

##### Financial Interest

A person has a financial interest if the person has, directly or indirectly, through business, investment or family –

- a. an equity ownership of 5 (five) percent or more or an investment interest of \$10,000 or more in any entity with which the University has a transaction or arrangement, or
- b. a compensation arrangement with the University or with any entity or individual with which the University has a transaction or arrangement, or
- c. a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the University is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

## Article III

### Duty to Disclose

In connection with any actual or possible conflicts of interest, an interested person must disclose the existence and nature of his or her financial interest to the Trustees and members of committees with Board of Trustees delegated powers considering the proposed transaction or arrangement.

### Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest, the interested person shall leave the Board of Trustees or committee meeting while the financial interest is discussed and voted upon. The remaining Board of Trustees or committee members shall decide if a conflict of interest exists.

### Procedure for Addressing the Conflict of Interest

- a. The Chair of the Board of Trustees or committee may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- b. The Board of Trustees or committee shall determine by a majority vote of the disinterested Trustees whether the transaction or arrangement is in the University's best interest and for its own benefit and whether the transaction is fair and reasonable to the University and shall make its decision as to whether to enter into the transaction or arrangement in conformity with such determination.

### Violations of the Conflicts of Interest Policy

- a. If the Board of Trustees or committee has reasonable cause to believe that a Trustee or Officer has failed to disclose actual or possible conflicts of interest, it shall inform the Trustee or Officer of the basis for such belief and afford the Trustee or Officer an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the response of the Trustee or Officer and making such further investigation as may be warranted in the circumstances, the Board of Trustees or committee determines that the Trustee or Officer has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

## Article IV

### Record of Proceedings

The minutes of the Board of Trustees and all committee meetings with Board of Trustees delegated powers shall contain –

- a. The names of the persons 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 of Trustees' 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 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 therewith.

## Article V

### Compensation Committees

- a. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the University for services is precluded from voting on matters pertaining to that member's compensation.
- b. Employees who receive compensation, directly or indirectly, from the University, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters.

## Article VI

### Annual Statements

Each Trustee, Officer, Key Employee, Member of the President's Staff, and non-Trustee member of a committee with Board of Trustees delegated powers shall annually sign a statement which affirms that such person –

- a. has received a copy of the conflicts of interest policy,
- b. has read and understands the policy,
- c. has agreed to comply with the policy, and
- d. understands that the University is an educational organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

## Article VII

### Periodic Reviews

To ensure that the University operates in a manner consistent with its educational purposes and that it does not engage in activities that could jeopardize its status as an organization exempt

from federal income tax, periodic reviews shall be conducted. The periodic review shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.
- b. Whether acquisitions of provider services result in inurement or impermissible private benefit.
- c. Whether partnership and joint venture arrangements conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the University's educational purposes and do not result in inurement or impermissible private benefit.
- d. Whether agreements with other organizations, employees, and third parties further the University's educational purposes and do not result in inurement or impermissible private benefit.

### Article VIII

#### Use of Outside Experts

In conducting the periodic reviews provided for in Article VII, the University may, but need not, use outside advisors. If outside experts are used their use shall not relieve the Board of Trustees of its responsibility for ensuring that periodic reviews are conducted.

Approved by the Board of Trustees

March 27, 2009

SOUTHWESTERN UNIVERSITY  
Georgetown, Texas

CONFLICTS OF INTEREST POLICY

ACKNOWLEDGEMENT STATEMENT

In accordance with Article VI of the Conflicts of Interest Policy, this Acknowledgement Statement will affirm the following:

1. I have received a copy of the Conflicts of Interest Policy.
2. I have read the policy and I understand the provisions contained therein.
3. I agree to comply with the policy.
4. I understand that Southwestern University is an educational organization and that in order to maintain its federal tax-exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

ACKNOWLEDGED AND AFFIRMED

\_\_\_\_\_  
Trustee, Officer, Key Employee, Member of the President's Staff, or non-Trustee Member of a  
Committee

\_\_\_\_\_  
Date