

INDEPENDENCE POLICY

Purpose:

The purpose of this independence policy is to assist in identifying situations that would create a lack of independence for individuals serving on Southwestern University's Board of Trustees or any other voting member of the Board in respect to Southwestern University (the "University.") This policy also applies to non-Trustee members of a Board committee with delegated powers. The policy provides the University with a procedure to appropriately manage independence problems that arise in accordance with legal requirements and the goals of accountability and transparency in the University's operations. This policy is intended to supplement, but not replace, any applicable state laws governing conflicts of interest applicable to nonprofit and charitable organizations.

Because the Board of Trustees and any non-Trustee voting member of a Board committee with delegated powers have the ability to act as a policymaking body of the University, it is very important that each individual remains independent from other organizations or personal interest that might otherwise have an affect on the individual's judgement as it relates to the discussions or outcomes of University business and decisions.

Definitions:

1. Contract or transaction –

Any agreement or relationship involving the sale or purchase of goods, services, or rights of any kind, the providing or receipt of a loan or grant, the establishment of any other type of pecuniary relationship with the University is considered a *contract or transaction*. For purposes of this policy, the making of a gift to the University or the provision of services by the University within the organization's tax-exempt mission is not considered a *contract or transaction*.

2. Family member –

- a. Spouse or domestic partner
- b. Ancestor
- c. Sibling (whole or half)
- d. Child (natural or adopted)
- e. Grandchildren
- f. Great-grandchildren
- g. Spouses of b-f above

3. Related Organization –

An organization that meets one or more of the following relationships to the University –

- a. Parent – an organization that controls the University
- b. Subsidiary – an organization controlled by the University
- c. Brother/Sister – an organization controlled by the same persons that control the University
- d. Supporting/Supported – an organization that is (or claims to be) at any time during the University's tax year a supporting organization of the University or a supported organization of the University.

Independence Requirements:

In order to be considered "Independent," an individual must meet ALL 4 of the following requirements at ALL times during the year:

1. Individual can not be compensated as an officer or other employee of the University or of a related organization.
2. Individual can not receive total compensation or other payments exceeding \$10,000 for the year from the University or from related organizations as an independent contractor, other than reimbursement of expenses under an accountable plan or reasonable compensation for services provided in the capacity as a member of the governing body.
3. A family member of the individual can not receive compensation payments by the University or by a related organization that exceeded \$10,000.
4. Neither the individual, nor any family member, can be involved (directly or indirectly) in any of the following transactions with the University or related organization during the tax year:
 - a. Neither can be engaged in an excess benefit transaction.
(An excess benefit transaction is when a tax-exempt organization directly or indirectly provides to or for the use of a disqualified person an economic benefit the value of which exceeds the value of the consideration received by the organization for providing such a benefit.)
 - b. Neither can be a borrower or lender with the University.
 - c. Neither can have business transactions paid during the tax year that exceeded \$100,000 in aggregate.
 - d. Neither can have a single business transaction paid during the year that exceeds the greater of \$10,000 or 1% of the University's total revenues.

Duty to Disclose:

Annually, each Board of Trustees member, any other voting member of the Board, or a non-Trustee member of a committee is required to complete the "Independence and Conflict of Interest Disclosure Statement," noting any independence issues that currently exist or that existed during the past fiscal year.

Each Board of Trustees member, any other voting member of the Board, or non-Trustee member of a committee is also required to immediately disclose to the Chair of the Board and the University President as soon as the person is aware that a lack of independence might exist.

Restrictions:

Any Board of Trustees member, any other voting member of the Board, or any non-Trustee member of a committee that lacks independence is restricted from voting on University matters affecting such Board of Trustees member, other voting member of the Board, or non-Trustee member of a committee.

Review:

The annual "Independence & Conflicts of Interest Disclosure Statements" for the Board of Trustees and any member of committees of the Board of Trustees are distributed, collected, and reviewed by the Executive Assistant to the President. Any notations of possible independence issues are immediately brought to the attention of the Chair of the Board of Trustees and the University President.