

**CONFLICT OF INTEREST POLICY
FOR TRUSTEES, OFFICERS, AND KEY EMPLOYEES OF
BUTLER UNIVERSITY**

Section 1. Purposes. The proper governance of Butler University (the "University") depends upon individuals who give of their time for the benefit of their community. The giving of this service, because of the varied interests and backgrounds of such individuals, may result in situations involving a dual interest that might be interpreted as a conflict of interest. This service should not be rendered impossible solely by reason of duality of interest or possible conflicts of interest. This service nevertheless carries with it a requirement of loyalty and fidelity to the University, it being the responsibility of such individual's to govern the University's affairs honestly and economically, exercising their best care, skill, and judgment for the benefit of the University. Based on the foregoing, the purpose of this conflict of interest policy is to protect the interest of the University when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a trustee, officer, or key employee of the University while recognizing that it would disadvantage the University to deprive it of the involvement of interested colleagues.

Section 2. Definitions.

- (a) Interested Person. Any trustee, principal officer, key employee, or member of a committee with board delegated powers who has a financial interest or conflict of loyalty, each as defined below, is an interested person.

- (b) Financial Interest. A person has a financial interest if the person has, or as a result of the transaction at issue will have, a compensation or other financial arrangement with the University, including but not limited to, a sale, exchange or leasing of property; the lending of money or other extension of credit; the furnishing of goods, services or facilities, including specifically the provision of services as a vendor; the payment of compensation (or payment or reimbursement of expenses); or the receipt of, or use of, the income or assets of the University.

In identifying and disclosing a Financial Interest, an Interested Person shall consider and disclose all personal Financial Interests, together with any Financial Interest the Interested Person is aware of involving:

- i. His or her family members, including but not limited to, his spouse, ancestors, children, grandchildren, great grandchildren, and the spouses of children, grandchildren, and great grandchildren; or

- ii. Any corporation, partnership or other legal entity in which the Interested Person (together with all family members described in 2(b)(i) above or other Interested Persons):
 - A. Holds a position of influence or control, such as but not limited to, as director, president, chief executive officer, chief operating

officer, chief financial officer, or treasurer; or

B. Owns greater than 20% of the total combined voting power.

- (c) Conflict of Loyalty. It is the intent of this Policy that the definition of “Financial Interest” above shall control in determining whether a person has a conflict of interest or conflict of loyalty in the context of a commercial enterprise. In the context of a nonprofit organization or governmental entity, a person has a conflict of loyalty if the person has, directly or indirectly, through business or family, an interest or relationship with the nonprofit or governmental entity that prohibits or inhibits, or potentially prohibits or inhibits, the person from exercising independent judgment in the best interests of the University, such as by serving as a director or employee of, or providing goods or services to or for, the nonprofit or governmental entity with which the University has, or is negotiating, a transaction or arrangement.

Section 3. Procedures.

- (a) Duty to Disclose. In connection with any actual or possible conflict of interest, an Interested Person must disclose the existence and nature of his or her Financial Interest or conflict of loyalty to the board and members of committees with board delegated powers considering the proposed transaction or arrangement.
- (b) Financial Interest – Determining Whether a Conflict of Interest Exists.
- i. Upon disclosure of a Financial Interest, the Interested Person shall leave the board or committee meeting while the Financial Interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists by a two-thirds vote.
 - ii. If it is determined that a conflict of interest exists, the board or committee shall proceed as provided in Section 3(c).
- (c) Financial Interest – Addressing the Conflict of Interest.
- i. The President or committee may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
 - ii. After exercising due diligence, the board or committee shall determine whether the University can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflict of interest.
 - iii. If a more advantageous transaction or arrangement is not reasonably

attainable under circumstances that would not give rise to a conflict of interest, the board or committee shall determine by a majority vote of the trustees (excluding an Interested Person who has a Financial Interest) 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.

- iv. In determining whether to enter into the transaction or arrangement under Section 3(c)iii., the board or committee may request that the Interested Person provide additional information to the board or committee. The Interested Person shall not be present or participate in the vote on whether to enter into such transaction, but may be counted for purposes of determining the existence of a quorum. If the Interested Person is counted for quorum purposes, the action must be approved by a sufficient number of votes based upon that quorum. For example, if a majority vote of the quorum is required to approve an action, and eight (8) directors constitute a quorum, the action must be approved by five (5) of the seven (7) disinterested trustees voting on the transaction or arrangement.
- (d) Conflict of Loyalty. Upon disclosure of a conflict of loyalty, the board or committee shall proceed with a vote on the proposed transaction or arrangement after the exercise of due diligence and the investigation of alternatives to determine whether a more advantageous transaction or arrangement exists. The trustee with a conflict of loyalty may provide information to the board or committee upon request, may vote on whether to enter into such transaction or arrangement, and may be counted for quorum purposes.
- (e) Violations of the Conflict of Interest Policy.
 - i. If the board or committee has reasonable cause to believe that an Interested Person has failed to disclose 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.
 - ii. If, after hearing the response of the Interested Person and making such further investigation as may be warranted in the circumstances, the board or committee determines that the Interested Person has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4. No Excess Benefit Transaction. In considering any transaction or conflict of interest, the University shall avoid any excess benefit transaction as defined by Section 4958 of the Internal Revenue Code of 1986, as amended, and corresponding Treasury Regulations. In

this regard, any conflict of interest will likely be governed also by the terms of the University's Executive Compensation and Intermediate Sanctions Policy.

Section 5. Records of Proceedings. The minutes of the board and all committees with board delegated powers shall contain:

- (a) the names of the persons who disclosed or otherwise were found to have a Financial Interest or conflict of loyalty in connection with an actual or possible conflict of interest, the nature of the Financial Interest or conflict of loyalty, 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; and
- (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.

Section 6. Annual Statements. Each trustee, principal officer, key employee, and member of a committee with board delegated powers shall annually sign a statement similar to that attached as Exhibit A which affirms that such person:

- (a) has received a copy of the conflict 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 a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Section 7. Periodic Reviews. To ensure that the University operates in a manner consistent with its charitable 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 reviews shall, at a minimum, assess whether compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining.

Section 8. Use of Outside Experts. In conducting the periodic reviews provided for in Section 7, the University may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

EXHIBIT A

CONFLICT OF INTEREST STATEMENT

To: Interested Person of Butler University

I, the undersigned, associated with Butler University (the "University") in a capacity of trustee, officer, key employee, or member of a committee with board delegated powers represent that as of the date specified below, I have the Financial Interests described below.

In accordance with the University's duly adopted Conflict of Interest Policy, I understand that I have a "Financial Interest" if I have, or as a result of a transaction at issue will have, a compensation or other financial arrangement with the University, including but not limited to, a sale, exchange or leasing of property; the lending of money or other extension of credit; the furnishing of goods, services or facilities, including specifically the provision of services as a vendor; the payment of compensation (or payment or reimbursement of expenses); or the receipt of, or use of, the income or assets of the University.

Furthermore, I have a "Financial Interest" if I, together with my family:

A. Hold a position of influence or control, such as but not limited to, as director, president, chief executive officer, chief operating officer, chief financial officer, or treasurer of a corporation, partnership or other legal entity that enters a transaction with the University; or

B. Own greater than 20% of the total combined voting power of a corporation, partnership or other legal entity that enters a transaction with the University.

As of this date, I have the following Financial Interests:

As of this date, I am employed by, or am a principal of:

I declare that I will inform the President (or in the case of the President, the Board of Trustees) of the University, in writing, of any material change in the information I have provided herein.

I do further specifically represent that I have received a copy of the University's conflict of interest policy, that I have read and understand such policy, and that I agree to comply with such policy in every respect.

I understand that the University is a charitable organization and that in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

I hereby affirm that the foregoing information is correct and complete.

Signed: _____

Printed Name: _____

Dated: _____