

BOARD OF TRUSTEES STANDARDS OF CONDUCT AND CONFLICT OF INTEREST

I. General.

The Board of Trustees of the University of Arkansas is declared by statute to be a body politic and corporate. Members of the Board seek to perform their responsibilities in accordance with high standards of integrity, to avoid conflicts of interest, and to disclose those which occur. This policy establishes standards of conduct of members of the Board in addition to those established by applicable statutes or policies of the Board. This policy is to assure that members of the Board act in accordance with these standards and that conflicts of interest which occur are appropriately disclosed and resolved.

The standards set out in this policy are guiding principles which must be used along with the good judgment of every trustee. Overall, the objective of each trustee must be honesty, fairness and integrity in all aspects of his or her conduct as a member of the Board, with full disclosure, erring on the side of caution, in any situations that are or may become a conflict of interest.

II. General Standards of Conduct for Trustees.

- A. A trustee shall discharge his or her duties as a member of the Board, including duties as a member of a committee, as follows:
  - (1) In good faith;
  - (2) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and
  - (3) In a manner the trustee reasonably believes to be in the best interests of the University.
- B. In discharging his or her duties, a trustee is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:
  - (1) One or more officers or employees of the University whom the trustee reasonably believes to be reliable and competent in the matters presented;
  - (2) Legal counsel, public accountants, the Arkansas Attorney General, or other persons as to matters that the trustee reasonably believes are within the person's professional, official or expert competence;
  - (3) A committee of the Board of which the trustee is not a member, as to matters within its jurisdiction, if the trustee reasonably believes the committee merits confidence.

- C. A trustee is not acting in good faith if the trustee has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection B unwarranted.

III. Trustee Conflict of Interest.

- A. A conflict of interest transaction is a transaction with the University in which a trustee has a direct or indirect interest. A conflict of interest transaction is not voidable or the basis for imposing liability on the trustee if either of the following is true:
  - (1) The transaction was fair to the University at the time it was entered into;
  - (2) The material facts of the transaction and the trustee's interest were disclosed or known to the Board and the Board authorized, approved, or ratified the transaction.
- B. For purposes of this policy, a trustee has an indirect interest in a transaction if (i) another entity in which the trustee has a material interest or in which the trustee is a general partner is a party to the transaction or (ii) another entity of which the trustee is a director, officer or trustee is a party to the transaction. A trustee shall also be deemed to have an indirect interest in a transaction if any member of his or her immediate family is a party to the transaction, or has a material interest in another entity which is a party to the transaction or is a director, officer or trustee of another entity which is a party to the transaction.
- C. For purposes of subsection A(2) a conflict of interest transaction is authorized, approved, or ratified, if it receives the affirmative vote of a majority of the trustees on the Board, who have no direct or indirect interest in the transaction, but a transaction may not be authorized, approved, or ratified under this section by less than a majority of the entire Board.
- D. A trustee must always abstain from voting on or influencing transactions where a conflict of interest exists. A trustee having knowledge of a conflict of interest shall disclose it to the Chairman of the Board within a reasonable time after becoming aware of the conflict of interest. A trustee having a conflict of interest shall not vote or otherwise take any action with respect to the matter as to which a conflict of interest exists. The trustee may, if requested by the Chairman of the Board, or the Chairman of a Committee of the Board, participate in discussion of the transaction in public meetings of the Board or its committees but shall abstain from voting thereon.

IV. Disclosure.

- A. Members of the Board shall annually submit a statement to the Secretary of the Board on or before January 31 of each year, disclosing whether the trustee, his or her immediate family member, or any entity in which he or she holds any position of control or holds any ownership interest of 10% or greater, has entered into any contract with the University or whether an immediate family member of the trustee is employed by the University.

- B. For purposes of this policy, "contract" shall mean any agreement entered into by and between the University and a trustee or entity in which he or she holds any position of control or holds any ownership interest of 10% or greater pursuant to which the University agrees to purchase or lease tangible personal property, real property, or services, or any agreement for the disposal of commodities and services, including, but not limited to, awards and notices of awards, contracts of a fixed price, cost, or incentive type, contracts providing for the issuance of job or task orders, leases, lease purchase agreements, letter contracts, purchase orders, professional or consultant services contracts, and supplemental agreements with respect to any of these categories. Contracts shall also include grants. Further, for purposes of this policy, "immediate family member" shall mean a trustee's spouse, children of the trustee or his or her spouse, and brothers, sisters, or parents of the trustee or his or her spouse.
- C. As a part of such annual disclosure, each trustee shall acknowledge receipt of a copy of this policy on a form prepared for such purpose and maintained by the Secretary. Such disclosure shall be deemed a public record and subject to the Arkansas Freedom of Information Act.

V. Prohibited Activities.

- A. Except as otherwise provided by law or policy of the Board, a trustee shall not use his or her position to secure special privileges or exemptions not available to others for his or herself, or the trustee's spouse, child, parents, persons standing in the first degree of relationship to the trustee or for those with whom the trustee has a substantial financial relationship.
- B. Except as otherwise provided by law or policy of the Board, a trustee shall not engage in any public or professional activity while serving as a trustee which the trustee might reasonably expect would require or induce the trustee to disclose any information acquired by the trustee by reason of the trustee's official position which is declared by law or regulation to be confidential. A trustee shall not disclose any such information gained by reason of his or her position, nor shall the trustee otherwise use such information for his or her personal gain or benefit.

September 18, 1998