

**THE LUTHERAN UNIVERSITY ASSOCIATION, INC.
D/B/A VALPARAISO UNIVERSITY**

BOARD OF DIRECTORS

POLICY STATEMENT ON CONFLICTS OF INTEREST

Purpose

The purpose of the Policy Statement on Conflicts of Interest is to proclaim and foster a sound ethical code of business behavior for directors, officers, and employees of the Lutheran University Association, Inc., d/b/a Valparaiso University (“University”).

Background

Fair and ethical practices are fundamental to a sound academic environment. The success of the University depends on achieving and maintaining a high level of public trust and respect. This trust is sustained by observing the highest standard of ethical behavior by the University’s directors, officers, and employees through the full disclosure of existing and potential conflicts of interest.

Conflicts of Interest

A conflict of interest arises: (a) when a director, officer, or employee may benefit financially from a decision he or she could make in such capacity, including indirect benefits such as to family members or to persons or organizations with which the director, officer, or employee has a business relationship; or (b) when the director, officer, or employee seeks to advance an initiative that is incompatible with his/her duties to the University. A conflict of interest does not include philosophical or professional differences of opinion.

Statement of Policy

Conflicts of interest are to be avoided where they place the interests of others ahead of the University’s obligations to its students and supporters. However, conflicts of interest sometimes occur in the course of conducting the affairs of the University. This is because persons associated with the University have multiple business and public interests and various positions of responsibility with other organizations. The policy of the University is not to prohibit conflicts of interest, but to require that conflicts of interest be fully disclosed by directors, officers, and certain employees and that such information be included in the permanent records of the University so as to avoid situations where a conflict might reflect adversely upon the University or its directors, officers, or employees.

Administration of the Policy

The policy for the disclosure of existing or potential conflicts of interest, shall be administered in the following manner:

1. Current and certain former directors, officers, and key employees shall annually receive a copy of the Policy Statement on Conflicts of Interest and be asked to complete a questionnaire as to their interests. The Board Chair and the President shall have discretion to apply this requirement to other employees (such as employees with significant procurement responsibilities).
2. Any existing or potential conflict of interest on the part of a director is to be disclosed to the Chair of the Governance Committee of the Board. The Chair of the Governance Committee, in consultation with the Board Chair and the President, will discuss with the director options for resolving the conflict. A conflict of interest may be waived if the Chair of the Governance Committee, in consultation with the Board Chair and the President, determines that the transaction or circumstance is in the best interests of the University. Whether or not a conflict is waived, a director who has an existing or potential conflict of interest on any matter should not vote or use his or her personal influence on the matter, nor should the director be counted in determining a quorum, even where permitted by law. The minutes of any meeting should reflect that the director disclosed the conflict, abstained from voting, and that a quorum existed even though the director is not counted toward that quorum. This requirement does not prevent a director from stating his or her position on the matter or from answering pertinent questions of other directors where the director's knowledge may assist the other directors.
3. Any existing or potential conflict of interest on the part of an officer, key employee, or other designated employee is to be disclosed to the University Counsel and brought to the attention of the President. The University Counsel, in consultation with the President, will discuss with the officer or employee options for resolving the conflict. A conflict of interest may be waived if the University Counsel, in consultation with the President, determines that the transaction or circumstance is in the best interests of the University. The University Counsel shall report to the Chair of the Governance Committee any conflicts of interest and the resolution or waiver of same.
4. At least annually, the Chair of the Governance Committee shall submit reports to the Governance Committee concerning any conflicts of interest and the resolution or waiver of same.

Definitions

1. A "family member" of an individual includes his or her spouse, parents, grandparents, great grandparents, brothers and sisters (whether whole or half

blood), children (whether natural or adopted), grandchildren, great grandchildren, and spouses of brothers, sisters, children, grandchildren, and great grandchildren.

2. "Business relationships" include but are not limited to contracts of sale, lease, license, and performance of services, as well as joint ventures (new or ongoing). Types of business relationships include (a) where one person is employed by an organization in which the other person is a director, officer, key employee, or greater-than-35% owner, (b) direct transactions where one person transacts business with another person; (c) indirect transactions where one person transacts business with an organization with which the other person is associated as a trustee, director, officer, key employee, or greater-than-35% owner; and (d) where each person is a director, trustee, officer, or greater-than-10% owner in the same business.
3. Types of "ownership" include stock ownership (voting power or value, whichever is greater) of a corporation, profits or capital interest (whichever is greater) in a partnership or limited liability company, beneficial interest in a trust, or control of a nonprofit organization. Ownership includes indirect ownership (for example, ownership in an organization that has ownership in another organization); there may be ownership through multiple tiers of organizations.
4. A "key employee" is an employee who meets all of the following criteria: (a) receives reportable compensation from the University in excess of \$150,000 during the calendar year ending within the University's fiscal year; (b) has significant management responsibility over the University as a whole or who manages a discrete segment that represents 10% or more of the activities, assets, income, or expenses of the University or shares responsibility for controlling or determining 10% or more of the University's expenditures or budget; and (c) is one of the twenty employees with the highest reportable compensation from the University.

Date of Governance Committee Approval: January 29, 2010

Date of Board of Director's Approval: January 30, 2010

THE UNDERSIGNED ACKNOWLEDGES RECEIPT OF A COPY OF THIS POLICY:

Printed Name: _____ Date: _____

Signature: _____

Position: _____

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Date of Board of Director's Approval: January 30, 2010

