

**UNIVERSITY OF RICHMOND**  
**CONFLICT OF INTEREST POLICY**

**PURPOSE**

By adoption of this Conflict of Interest Policy, the Board of Trustees of the University of Richmond (the “Board”) intends to further the University’s charitable mission and ensure that decisions relating to the University are made in an impartial manner, considering only the best interest of the University. The Board seeks to preserve and protect the assets of the University and to avoid benefiting or enriching any person or organization in a manner that is inconsistent with the University’s mission, tax-exempt status and legal obligations.

**SCOPE OF POLICY**

This policy applies to Covered Persons (as defined herein) and employees of the University and to organizations or entities in which the University owns a controlling interest or has the right to elect the majority of the entity’s governing board (hereinafter “Affiliates”), including, but not limited to Spider Management Company, LLC and the Richmond Fund Management Company, LLC. This policy does not prohibit transactions between the University and Covered Persons, but sets forth a process for disclosure, management and approval of such transactions designed to protect the best interests of the University.

**DEFINITIONS**

**Covered Person.** As used in this policy, a “Covered Person” is defined as: (a) any member of the Board of Trustees of the University of Richmond; (b) any member of a committee of the Board of Trustees of the University of Richmond; (c) any member of the governing board of an Affiliate; (d) all officers of the University and of Affiliates; (e) all members of the President’s Cabinet, Deans, Vice Presidents, Associate Vice Presidents, Assistant Vice Presidents and Directors who have budget or purchasing responsibilities; and (f) any other employee of the University or an Affiliate who meets the Internal Revenue Service definition of Key Employee, as determined by the University.

**Business Relationship Among Covered Persons.** As used in this policy, a “Business Relationship” among Covered Persons occurs when:

- o One Covered Person is employed by another in a sole proprietorship or by an organization for which another Covered Person serves as trustee, director, officer, Key Employee or of which another Covered Person owns greater than a 35% interest; OR

- One Covered Person is transacting business with another Covered Person (other than in the ordinary course of either party's business on the same terms as are generally offered to the public), directly or indirectly where the transaction(s) has a value in excess of \$10,000 in the aggregate during the University's tax year. An indirect transaction is one in which a Covered Person engages in a transaction with an organization for which another Covered Person serves as trustee, director, officer, Key Employee or owns greater than a 35% interest; OR
- Two Covered Persons each serves as a director, trustee, officer, Key Employee or has a greater than 10% ownership interest in the same business or investment entity.

A Business Relationship does not include a transaction between Covered Persons that is offered in the ordinary course of business on the same terms as are generally offered to the public. Additionally, attorney-client relationships, medical professional-patient relationships and priest/clergy-penitent/communicant relationships are not considered Business Relationships for purposes of this policy.

**Family Member.** As used in this policy and as defined by the Internal Revenue Service, the term "Family Member" includes spouses, ancestors, brothers, sisters, children, grandchildren, great grandchildren and all of their respective spouses. The University also includes same-sex domestic partners in the definition of Family Member.

**Key Employee.** As used in this policy and as defined by the Internal Revenue Service, the term "Key Employee" means a person, other than an officer, trustee or director, who meets *all three* of the following tests:

- **\$150,000 Test.** The person receives reportable compensation from the organization and all related organizations in excess of \$150,000 for the calendar year ending with or within the organization's tax year.
- **Responsibility Test.** The person:
  - has responsibilities, powers or influence over the organization as a whole that is similar to those of officers, directors, or trustees; or
  - manages a discrete segment or activity of the organization that represents 10% or more of the activities, assets, income, or expenses of the organization, as compared to the organization as a whole; or
  - has or shares authority to control or determine 10% or more of the organization's capital expenditures, operating budget or compensation for employees.
- **Top 20 Test.** Is one of the 20 employees with the highest reportable compensation from the organization or related organizations for the calendar year ending with or within the organization's tax year.

**Related Organization.** As used in this policy, the term “Related Organization” means any corporation, partnership, joint venture or other entity with respect to which a Covered Person or the Family Member of a Covered Person: (a) holds an ownership interest (other than nominal amounts of stock in publicly traded companies – nominal is defined as less than 5% of stock outstanding); (b) serves as an officer, director, trustee, or member; or (c) is an employee or paid consultant.

## **FIDUCIARY DUTY**

Under the law, trustees and officers have a fiduciary duty to the University that includes two broad obligations – the duty of care and the duty of loyalty. In practice, not-for-profit entities, such as the University, extend the duty of loyalty to employees when conducting business on behalf of the University. This policy seeks to foster the duty of loyalty. The duty of loyalty requires a Covered Person, in the exercise of his or her duties, to place the interests of the organization above the interests of himself or herself or of any third party. The duty of loyalty prohibits a Covered Person from using his or her position to secure personal advantage or from advantaging third parties, and it prohibits conflicts of interest.

## **CONFLICTS OF INTEREST**

It is the policy of the University that Covered Persons shall act in a manner consistent with their fiduciary duty and responsibilities to the University and that Covered Persons and employees of the University and its Affiliates shall avoid situations in which their financial or other relationships with outside entities could create an actual, apparent or potential conflict of interest or cause harm to the University’s reputation.

Assessing a potential conflict of interest often depends on specific facts and circumstances, but, in general, the University considers a conflict of interest to arise when:

- There are dual or multiple interests or loyalties, or the potential there for, that may inhibit the exercise of objective or impartial judgment in furtherance of the mission and objectives of the University or its Affiliates; or
- A person in a position of authority over the University or its Affiliates (*e.g.*, Covered Persons) may benefit financially from a decision he or she could make in such a capacity, including indirect benefits such as to Family Members or businesses with which the person is closely associated.

To present an exhaustive list of actions, situations or interests that could constitute a conflict of interest is virtually impossible. However, the following situations either are, or are likely to result in, an actual, apparent or potential conflict of interest and must always be disclosed, as required by this policy.

- (1) Disclosing to any person or using information that is received as a result of an individual’s service to the University or its Affiliates, either for the purpose of

gaining advantage for oneself or for a third party, or permitting any other person to use that information for the benefit of himself or herself or any third party.

- (2) Taking advantage of an opportunity, knowledge of which was derived during the course of service to the University or its Affiliates, and appropriating or permitting others to appropriate that opportunity, or divert that opportunity, directly or indirectly, away from the University or its Affiliates and to others.
- (3) Any ownership interest (other than nominal amounts of stock in publicly traded companies – nominal is defined as less than 5% of stock outstanding) in any organization with which the University or its Affiliate has or is considering a transaction or business arrangement, unless such interest has been disclosed to the University in accordance with this policy and approved by appropriate Board or management action.
- (4) Service on any board of directors or governing body of an organization with which the University or its Affiliate has or is considering a transaction or business arrangement, unless such service has been disclosed to the University in accordance with this policy and approved by appropriate Board or management action.
- (5) Any consulting or employment relationship with an organization with which the University or its Affiliate has or is considering a transaction or business arrangement, unless such relationship has been disclosed to the University in accordance with this policy and approved by appropriate Board or management action.
- (6) Any other business activity that is competitive with the business activities of the University or an Affiliate.
- (7) Receiving or being offered any significant gift, favor, benefit, service, payment or entertainment from any organization with which the University or an Affiliate has or is contemplating having business dealings.
- (8) Any event or transaction between the University or an Affiliate and a vendor or contractor that could result in a Covered Person or any employee of the University or an Affiliate receiving any direct or indirect material benefit.

A transaction, event or situation that would create an actual, apparent or potential conflict of interest if a Covered Person was involved would also create an actual, apparent or potential conflict of interest if it involves a Family Member of a Covered Person and must, therefore, be disclosed, as required by this policy.

## **PROCEDURE FOR DISCLOSURE AND MANAGEMENT OF CONFLICTS AND POTENTIAL CONFLICTS**

There are four components to the effective implementation of this policy. First, Covered Persons must fully and completely disclose any interest or relationship that creates or might create an actual, apparent or potential conflict of interest, as further described below. Second, the University must determine, prior to meetings of the Board, Board Committees or other decision making bodies, whether any participant in such meeting has an actual, apparent or potential conflict of interest. Third, if a conflict of interests exists, the Covered Person or employee must refrain from participating in the discussion of or vote on the matter from which the conflict arises and from any attempt to influence the decision. Finally, an independent determination must be made that a transaction or relationship with a Covered Person or a Related Organization is in the best interest of the University or its Affiliates, in accordance with the University's Policy on Transactions Involving Trustees and Committee Members.

### **Disclosure**

#### **1. Disclosure Statement.**

Every Covered Person shall complete the Disclosure Statement, attached to this policy as Appendix A, prior to becoming a Covered Person and on an annual basis thereafter. Covered Persons shall also update the Disclosure Statement when the information reported changes during the year.

The University seeks to avoid both "vertical" conflicts of interest, in which the Covered Person or his or her Family Member will benefit either directly or indirectly, and "horizontal" conflicts of interest, in which the Covered Person's exercise of impartial and objective judgment is potentially compromised by his or her Business Relationship (as defined herein) with another Covered Person. To that end, the Disclosure Statement requires disclosure of the relationships and activities of the Covered Person and his or her Family Members, as well as the Business Relationships among Covered Persons.

#### **2. Disclosure Prior to Meetings**

Prior to any meeting of the Board, any Board Committee, the governing board of an Affiliate or another University decision making body (e.g., President's Cabinet) every Covered Person attending such meeting shall review the agenda items for such meeting to determine whether he or she may have an actual, apparent or potential conflict of interest with respect to any agenda item. If a Covered Person realizes that he or she may have an actual, apparent or potential conflict of interest during a meeting, he or she shall immediately recuse himself or herself from such meeting. The Covered Person shall disclose to the Secretary to the Board of Trustees or the General Counsel the nature and extent of his or her interest and any actual, apparent or potential conflict.

## **Identification of Actual, Apparent or Potential Conflicts**

Disclosure Statements shall be maintained by the Secretary to the Board of Trustees. The Secretary to the Board of Trustees and the General Counsel shall review the Disclosure Statements upon receipt. Prior to all meetings of the Board of Trustees, any Board Committee or the governing board of a University Affiliate, the Secretary to the Board of Trustees and the General Counsel shall review the agenda items for such meeting to determine whether the participation of a Covered Person in any discussion, deliberation or vote on such agenda items could create an actual, apparent or potential conflict of interest.

## **Process for Addressing and Managing Actual, Apparent or Potential Conflicts of Interest**

If it is determined that an actual, apparent or potential conflict exists, the Secretary to the Board of Trustees and/or the General Counsel shall consult with the Rector, in the case of a member of the Board of Trustees (other than the Rector) or a Board Committee, or with the President, in the case of other Covered Persons, and, collectively, they shall take such action as may be reasonably necessary to eliminate such conflict.

The University of Richmond recognizes that a blanket prohibition against transactions with a Covered Person or employee is not in the University's best interest. Such a prohibition could well result in the imposition of higher prices, additional costs or other disadvantages to the University. Therefore, the University will approach each such situation objectively, giving full recognition to the attendant circumstances. In some instances, full disclosure of the facts may be all that is necessary to enable the University to protect its interests and satisfy its obligations and to enable the members of the Board of Trustees to satisfy their duty of loyalty. In other cases, it may be in the University's best interest to avoid a transaction with a Covered Person or an organization in which a Covered Person has an interest.

If a conflict of interest exists, the Covered Person or employee must refrain from participating in the discussion of the matter from which the conflict arises, and usually will be excluded from all discussions involving such matter. The Covered Person must neither vote on the matter, *nor* attempt to influence the vote of the decision-making body. Finally, an independent determination must be made that a transaction or relationship with a Covered Person or a Related Organization is in the best interest of the University. Such determination shall be made in accordance with the University's Policy on Transactions with Trustees and Committee Members.

The University's determination as to whether any transaction or potential transaction is subject to this policy, whether any person is covered by this policy, and whether a conflict of interest exists shall be conclusive. The University reserves the right to take such action as, in its judgment, will end the conflict and protect its interests.

## **SANCTIONS**

Violation of this Conflict of Interest Policy may result in disciplinary action, which for employees can include oral reprimand, written reprimand, probation, suspension or immediate termination of employment, and for others, such action as may be necessary in the opinion of the Board of Trustees to protect the interests and comply with the responsibilities and obligations of the University.

Adopted by the Board of Trustees: May 8, 2009

Appendix A

**ATTENTION:** READ CAREFULLY AND COMPLETE ALL FOUR PAGES

PLEASE DO NOT LEAVE ANY SECTION BLANK

If an item does not apply, please indicate such by writing "None."

**BOARD OF TRUSTEES  
CONFLICT OF INTEREST  
2009 DISCLOSURE STATEMENT**

Name: \_\_\_\_\_

**Employer or Principal Business Affiliation:** \_\_\_\_\_

Principal Title or Business Position: \_\_\_\_\_

**1. Conflict of Interest Policy**

Have you received and do you understand and agree to comply with the University of Richmond Conflict of Interest Policy?

\_\_\_\_\_ Yes  
\_\_\_\_\_ No

**2. Family Relationships**

Do you have a Family Member (as defined in the Conflict of Interest Policy) who is employed by the University or who serves on the Board of Trustees of the University or the governing Board of a University Affiliate?

\_\_\_\_\_ Yes  
\_\_\_\_\_ No

If yes, please provide your Family Member's name, the relationship to you and the job title or position that such person holds.

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\_\_\_\_\_



**3. Transactions with the University or its Affiliates**

- (a) Do you or a Family Member have or propose to have a business or financial relationship with the University or its Affiliates either directly or through an entity in which you or your Family Member holds an ownership interest (other than nominal amounts of stock in publicly traded companies – nominal is defined as less than 5% of stock outstanding)? Yes \_\_\_\_\_ No \_\_\_\_\_
- (b) Do you or a Family Member serve on the board of directors or governing board of an organization with which the University or its Affiliates has or is considering a transaction or business arrangement? Yes \_\_\_\_\_ No \_\_\_\_\_
- (c) Do you or a Family Member have a consulting or employment relationship with an organization with which the University or its Affiliates has or is considering a transaction or business arrangement? Yes \_\_\_\_\_ No \_\_\_\_\_

For each question to which you answered yes, please provide a brief description of the situation and the name of the person involved (you or a Family Member), the name of the organization involved, the nature of the actual or proposed business relationship or transaction with the University or its Affiliates, the dollar value of the relationship or transaction and the date this relationship or transaction began or was proposed. (Use additional sheets if necessary.)

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**4. Competition with University or its Affiliates**

Do you or any Family Member have an ownership interest in (other than nominal amounts of stock in publicly traded companies - defined as less than 5% of stock outstanding) or an employment or other business relationship with an organization that might compete directly with the University or any University Affiliate? Yes \_\_\_\_\_ No \_\_\_\_\_

If so, please describe that ownership interest or employment or business relationship, including the name of the organization and your role with respect to that organization.

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5. **Gifts, Favors, Benefits**

In the past 12 months, did you or a Family Member receive any gift, favor, benefit, service, payment or entertainment that had a cumulative value greater than \$250 from any organization with which the University or an Affiliate has or is contemplating having business dealings?

Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please describe the gift, favor, benefit, service, payment or entertainment, including the name of the organization from which it was received, when it was received, and the value of such gift, favor, benefit, service, payment or entertainment:

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6. **Relationships Among Covered Persons**

Did you or a Family Member have a Business Relationship (as defined in the University's Conflict of Interest Policy) with another Trustee or Officer of the University or with an officer or member of the governing board of a University Affiliate? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please identify the parties to that relationship (you or your Family Member and the Trustee or Officer of the University or officer or member of the governing board of a University Affiliate)

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7. **Other Matters**

Based on the University's Conflict of Interest Policy, are there other activities in which you or your Family Members are engaged that might create an actual, apparent or potential conflict of interest? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please describe:

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8. **Continuing Obligation to Report**

I agree to report promptly to the University, in writing or, if precluded due to the lack of time, orally to the Secretary to the Board of Trustees or the General Counsel, any changes in the information contained in this Disclosure Statement and any future situation in which a possible conflict of interest involving me or any Family Member might arise. I further agree to document all such changes, promptly, by completing a new Disclosure Statement.

Except as noted herein, neither I nor, to the best of my knowledge, any Family Member has any interest or is engaged in any activity that might violate the University's Conflict of Interest Policy.

\_\_\_\_\_  
Name (Print)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Please return this form to Ann Lloyd Breeden, Secretary to the Board of Trustees,  
28 Westhampton Way, Maryland Hall, Suite 200, University of Richmond, Virginia 23173.**