

# CONFLICT OF INTEREST POLICY

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## I. PURPOSE

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The purpose of this conflict of interest policy is to protect the interests of the Graduate Theological Union (“GTU”), a California not-for-profit educational institution, when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer, trustee, member of a board committee of the GTU, or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

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## II. DEFINITIONS

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### INTERESTED PERSON

Any officer, trustee, member of a board committee who has a direct or indirect financial interest, as defined below, is an interested person. If a person is an interested person with respect to any entity affiliated with the GTU, he or she is an interested person with respect to the GTU and all entities affiliated with the GTU.

### FINANCIAL INTEREST

A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- i. An ownership or investment interest that comprises more than one-half of one percent of the total equity, exclusive of mutual fund holdings, in any entity with which the GTU has a transaction or arrangement,
- ii. A compensation arrangement with the GTU or with any entity or individual with which the GTU has a transaction or arrangement, or
- iii. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the GTU is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that have a value greater than \$200.

A financial interest is not necessarily a conflict of interest. Under Article III, Section 2 hereof, a person who has a financial interest may have a conflict of interest only if the Audit Committee of the Board of Trustees decides that a conflict of interest exists.

## **MEMBER SCHOOLS, AFFILIATES, AND OTHER REPRESENTATIVES**

The Graduate Theological Union is a consortium of nine (9) member schools with affiliated institutions. Membership on the board or a board committee of, or an executive position with, a member school or an affiliate is not in itself a conflict of interest under this policy, nor is representing the interest of that member school or affiliate in its relations with the GTU.

Membership on the board or a board committee by a faculty member or student of a member school or an affiliate is not in itself a conflict of interest under this policy.

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### **III. PROCEDURES**

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#### **DUTY TO DISCLOSE**

In connection with any actual or possible conflict of interest, an interested person must disclose to the GTU Audit Committee the existence of the financial interest and be given the opportunity to disclose all material facts to the members of the committee.

#### **DETERMINING WHETHER A CONFLICT OF INTEREST EXISTS**

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, the interested person shall leave the committee meeting while the determination of a conflict of interest is discussed and voted upon. The Audit Committee shall decide if a conflict of interest exists.

#### **PROCEDURES FOR ADDRESSING THE CONFLICT OF INTEREST**

An interested person may make a presentation at the Audit Committee meeting, but after the presentation, the interested person shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

The Audit Committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising due diligence, the Audit Committee shall determine whether the GTU can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Audit Committee shall determine by a majority vote of the disinterested members whether the transaction or arrangement is in the GTU's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination the Audit Committee shall make its decision as to whether to enter into the transaction or arrangement.

## **VIOLATIONS OF THE CONFLICT OF INTEREST POLICY**

If the board or a committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

If, after hearing the member's response and after making further investigation as warranted by the circumstances, the board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate action.

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### **IV. RECORDS OF PROCEEDINGS**

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The minutes of the Audit Committee meeting addressing issues related to this policy shall contain:

The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board of trustees' or committee's decision as to whether a conflict of interest in fact existed.

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 with the proceedings.

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### **V. COMPENSATION**

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A voting member of the board who receives compensation, directly or indirectly, from the GTU for services is precluded from voting on matters pertaining to that member's compensation.

A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the GTU for services is precluded from voting on matters pertaining to that member's compensation.

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### **VI. ANNUAL STATEMENTS**

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Each principal officer and member of a board committee shall annually sign a statement which affirms such person: (a) has received a copy of the conflicts of interest policy; (b) has read and understands the policy; (c) has agreed to comply with the policy; and (d) understands the GTU is a charitable organization which, in order to maintain its federal tax exemption, must engage primarily in activities which accomplish one or more of its tax-exempt purposes.