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DUAL MEMBERSHIPS AND CONFLICTS OF INTEREST

The Board of Governors seeks at all times to be fair and impartial in carrying out its responsibilities and tries to avoid even the appearance of partiality or undue influence. To promote this objective the following guidelines are adopted as board policy and recommended to the members for their guidance:

1. Service on Foundation Boards or Boards of Visitors of Constituent Institutions

Members of the Board of Governors may, from time to time, be asked to serve simultaneously on a foundation board or a board of visitors or some similar board for one of the sixteen constituent institutions. No matter how conscientious or successful a member may be in maintaining impartiality among constituent institutions, service on such a board will undoubtedly be construed by some as showing favoritism. It is also felt that some institutions will feel pressure to name members of the Board of Governors to such boards if service on them becomes commonplace. For these reasons members of the Board of Governors are encouraged to decline any such service.

2. Service on Boards of Private Colleges and Universities

Members of the Board of Governors may be asked to serve simultaneously on the board of a private college or university in North Carolina. While such an invitation is always an honor, there are potential areas of conflict in such dual memberships. A member should satisfy himself or herself that dual service will not interfere with his or her obligations either to the University of North Carolina or to the private institution.

3. Inquiries Concerning Admissions and Job Openings

From time to time a member of the Board of Governors may wish to inquire, either directly or through an officer of the University, about a job opening in the University or about the admission of an individual to an institution or to a program. Sometimes a board member is asked to write a letter of recommendation on behalf of a candidate for a job or for admission. It is highly inappropriate to use one's position on the Board of Governors in an attempt to influence employment or admissions. It is not inappropriate, however, for a member to make inquiries or to write letters of recommendation on the member's personal or business stationery. It should always be clear that the board member is not seeking a favor and understands that the decision in all cases will be made strictly on the merits.

4. Appointments by the Board of Governors

In order to avoid any appearance of undue influence, the Board of Governors will not consider for membership on any board to which it makes appointments any person who is a spouse of a Board of Governors member, a brother or a sister or a lineal ancestor or descendant of a member, or the spouse of any such person. This policy shall not apply, however, to any person who may have been elected or appointed to any such board prior to the time the related person became a member of the Board of Governors. Nor shall the policy apply to any person who may already be serving on any such board at the time of the adoption of the policy. The Board of Governors will not consider for membership on any board to which it makes appointments any person who was a member of the Board of Governors at any time during the two-year period immediately preceding

the effective date of the appointment. The boards to which this policy shall apply include the Boards of Trustees of the constituent institutions and all boards to which the Board of Governors make appointments.

5. **Inappropriate Advantage Derived from Board Membership**

a. Purpose: It is of critical importance that decisions made on behalf of the University by its governors, trustees, chief executive officers, and chief finance officers be in the best interest of the University and not be influenced by any potential financial gain to the decision-makers. Furthermore, to assure public confidence in the integrity of the University, it is important that the University not appear to be influenced by the personal financial interests of those in decision-making positions. The purpose of this policy is assure public confidence in the integrity of the University by preventing members of the governing boards and chief executive and finance officers of the University from using their positions, or appearing to use their positions, to influence the decisions of the University for their personal financial gain while at the same time allowing the University to take advantage of contracts that are advantageous to the citizens of North Carolina and to the University and also avoiding having service to the University be so restrictive that persons with substantial financial interests will be reluctant to serve.

b. Definitions

As used in this policy, the following terms have the following meanings:

- i.** “Business entity” means an individual, corporation, partnership, joint venture, not for profit corporation, any other entity doing business, or any wholly owned subsidiary of any such entity.
- ii.** “Person” means a member of the Board of Governors or of a Board of Trustees of a Constituent Institution, the President, the Vice President for Finance, a chancellor, or the chief finance officer of a constituent institution.
- iii.** “Substantial interest” means any of the following:
 - (1)** ownership by a person, or by the person’s spouse or dependent child, collectively, including ownership as the beneficiary of a trust, of an interest of 10% or more in a business entity¹.
 - (2)** annual income, or expected annual income, by the person or by the person’s spouse or dependent child, collectively, of more than \$10,000 from a business entity other than a publicly traded corporation.¹ Annual income includes earned income only if the person, or the person’s spouse or dependent child, will receive a bonus, commission, or other payment in any amount directly as a result of a contract with or purchase by the University. Income does not include income from capital gains.
 - (3)** service by the person or by the person’s spouse or dependent child, as an officer, trustee, or director of a business entity, except that

¹ Holdings in a mutual fund are not considered an ownership interest in the corporation operating the fund, and income from a mutual fund is not considered income from the corporation operating the fund. However, stock in the corporation operating the mutual fund is considered an ownership interest.

uncompensated service as a director, officer, or trustee of a not for profit corporation is not a substantial interest.

- iv. “The University” as applied to members of the Board of Governors, the President, and the Vice President for Finance means the General Administration or any of the constituent institutions. “The University” as applied to members of the Boards of Trustees, a chancellor, or a chief finance officer of a constituent institution means the constituent institution on whose Board of Trustees the member serves or at which the chancellor or chief finance officer is employed.

c. Requirements

- i. At the beginning of every fiscal year, each person must submit a Disclosure of Substantial Interests, on a form provided by the Office of the President, to the University Vice President for Finance. The University Vice President for Finance will distribute necessary information from the relevant forms to the chief finance officer of each constituent institution. These disclosure statements as well as the information distributed by the Vice President for Finance are public records.
- ii. Whenever a person has actual knowledge that a business entity in which the person has a substantial interest is attempting or planning to enter, is entering, or has entered into a contract with the University, the person must report the nature of the person’s substantial interest and the nature of the contract to the chief finance office of the institution that is or would be a party to the contract. If the person is a chief finance officer, then the chief finance officer must make this report to the chancellor or to the President of the institution that is or would be a party to the contract. Reports required by this paragraph shall be in writing and will be public records retained by the respective chief finance officers.
- iii. The University will not enter into a contract with a value of \$10,000 or more, or with expected payments of \$10,000 or more per year, with a business entity in which a person has a substantial interest, between a business entity in which the person has a substantial interest and the University, unless one of the exceptions in paragraph C (iv) applies. A person will not in any way
 - (1) participate in making a contract;
 - (2) attempt to cause or influence the University to make a contract, or
 - (3) attempt to influence the contract specifications or contracting process concerning a contract between a business entity in which the person has a substantial interest and the University.

The Vice President for Finance and the respective chief finance officers of the constituent institutions are responsible for determining whether the University is entering into a contract with a value of \$10,000 or more with a business entity in which a person has a substantial interest.

- iv.** The restrictions set out in paragraph c(iii) do not apply if the person with the substantial interest does not participate in making² or administering the contract and:
- (1)** The contract results from a competitive sealed bid or a competitive request for proposals with specifications and criteria;
 - (2)** The contract is for goods or services sold or provided to the general public at a uniform price or is for goods on state contract sold to state agencies at a uniform price, unless the contract is prohibited by state law;
 - (3)** The contract is an employment contract with the dependent child or spouse of the President, the Vice President for Finance, a chancellor or chief finance officer or the dependent child of a member of the Board of Governors or a Board of Trustees and the employment is allowed under Section 300.4.2 of these policies;
 - (4)** The contract is with a bank or a public utility; or
 - (5)** The committee of the Board of Governors or of the relevant Board of Trustees designated pursuant to paragraph d(i) below finds that the contract is in the best interest of the University. Examples of when a contract might be in the best interest of the University include, but are not limited to, when it has financially advantageous terms, when the goods or services to be provided are demonstrated to be unique, or when the contract is a continuation of a contract that was in effect before the person with the substantial interest became affiliated with the University.
- v.** If a person is an employee or agent of a business entity, the person shall not attempt to influence the University to enter into a contract with the business entity that employs or retains the person.
- vi.** A person shall not attempt to influence the administration of or payments under a contract between the University and a business entity in which the person has a substantial interest or between the University and the person's employer.
- vii.** No person shall disclose or use confidential information or information concerning economic development or technology research or development which the person received in his capacity as a board member or employee of the University for the person's financial gain.
- viii.** No person shall accept a gift or favor from a business entity, or the principal in a business entity, which has entered into a contract with the University within the past year, who currently has a contract with the University, or who intends to attempt to enter into a contract with the University if the person:

² A member of the Board of Governors or a Board of Trustees participates in making a contract if the board on which the member sits votes or otherwise takes action concerning the University's entering the contract.

- (1) has or will prepare plans, specifications, criteria or estimates for the contract;
- (2) awards, approves, negotiates, or administers the contract; or
- (3) inspects or supervises the contract.

This paragraph does not prohibit the receipt of advertising items of nominal value, awards such as plaques or trophies, food served at professional meetings or banquets, or gifts from family members or personal friends when it is clear that the friendship extends beyond the business relationship.

- ix. A person shall not represent, as attorney, agent, or trustee, a third party who has an adverse relationship with the University. A person shall attempt to dissuade a firm or business entity in which the person has a substantial interest from engaging in representation adverse to the University.

d. Procedures

- i. The Chairman of the Board of Governors and each Chairman of a Board of Trustees shall designate a standing committee to determine whether a potential conflict is a permissible or impermissible activity and to make recommended findings as to whether this policy has been violated.
- ii. Potential conflicts:
 - (1) Any person who receives a report of a potential conflict shall forward that report to the chief finance officer of the institution that is or would be a party to the contract.
 - (2) If the person with the substantial interest claims or the chief finance officer believes that the contract is permissible pursuant to paragraph c(iv)(1), (2), (3), or (4) above, the determination of whether the contract is permissible or impermissible may be made by the respective President or chancellor, or the President or chancellor may request that the designated committee make the determination. Any determination by the President or a chancellor shall be in writing and shall be a public record. The President and the chancellors shall report to the designated committee on an annual basis the contracts each has approved pursuant to this subparagraph. In addition, each chancellor shall report to the President on a quarterly basis the contracts the chancellor has approved pursuant to this subparagraph.

- (3) If the person claims that the contract is permissible pursuant to paragraph c(iv)(5) above, because the contract is in the best interest of the University, or if a chancellor or the President refers a conflict question to the committee, then the designated committee shall determine whether the proposed contract is a permissible or impermissible activity under this policy and shall enter its determination in the minutes of its proceedings.
- (4) If the person who has the potential conflict is a member of the designated committee, the person shall not participate in the deliberations of the committee, other than to present the relevant facts to the committee, and shall abstain from voting.

iii. Allegations of conflict

- (1) If any person or any Senior Academic or Administrative Officer becomes aware or alleges that a person covered by this policy has violated this policy, the person shall report the alleged violation to the chancellor or President of the institution that is or would be a party to the contract.
- (2) The person who receives the allegation shall forward the allegation:
 - (a) to the designated committee of the Board of Trustees or of the Board of Governors if the person alleged to have violated this policy is a member of that Board;
 - (b) to the designated committee of the Board of Governors if the President is alleged to have violated this policy;
 - (c) to the President if the person alleged to have violated this policy is a chancellor or the Vice President for Finance; or
 - (d) to the respective chancellor if the person is a chief finance officer of that constituent institution.
- (3) If the person alleged to have violated the policy is the President or a member of a Board of Governors or of the Board of Trustees, then the designated committee will determine whether or not the policy has been violated. The chairperson of the designated committee will designate an individual to investigate the allegations and to make a report to the committee. After considering the report of the investigation and any response by the person alleged to have violated the policy, the committee shall make a determination as to whether the policy has been violated and, if so, a recommendation as to the appropriate sanction to the respective Board of Trustees or Board of Governors. The Board of Trustees or Board of Governors shall vote to affirm, reject, or modify the recommendation.
- (4) If the person who has the potential conflict is a member of the designated committee, the person shall not participate in the deliberations of the

committee, other than to present the relevant facts and arguments to the committee on his own behalf, and shall abstain from voting.

- (5) A Board of Governors member, Board of Trustees member, or President who is alleged to have violated this policy is entitled to receive notice of the allegation, to be present to hear the report presented to the designated committee, and to inform the committee of any facts or arguments that demonstrate that he or she did not violate the policy.
 - (6) If the Vice President for Finance, a chief finance officer or a chancellor is alleged to have violated this policy, that allegation will be investigated and acted upon in accordance with the procedures for disciplining, demoting, dismissing, or terminating the contract of employees of that position.
- iv. The President will present this policy annually to the Board of Governors and will present it to new members at the beginning of their service. The chancellors will present this policy annually to their respective Boards of Trustees and will present it to new members at the beginning of their service.

e. Sanctions

- i. If the Board of Governors or a Board of Trustees finds that one of its members has violated this policy, the Board may take one or more of the following actions:
 - (1) Reprimand or censure the member;
 - (2) Remove the person from any Board office the person holds or from any committee chairmanship or assignment; and
 - (3) Report the violation to the entity that appointed the member.
- ii. If the Board of Governors finds that the President has violated this policy, the Board of Governors may discipline, demote or dismiss the President, as it deems appropriate.
- iii. If the President finds that the Vice President for Finance has violated this policy, the President may discipline, demote, or dismiss the Vice President, and shall report the violation and the action taken by the President to the Board of Governors.
- iv. If the President finds that a chancellor has violated this policy, the President may discipline the chancellor and report the action taken to the Board of Governors and the relevant Board of Trustees, or the President may recommend to the Board of Governors that the employment of the chancellor be terminated and that the chancellor be demoted or dismissed.

- v. If a chancellor finds that a chief finance officer has violated this policy, the chancellor may discipline, demote or dismiss the chief finance officer and shall report the violation and the action taken to the President and the Board of Trustees.
- vi. Pursuant to North Carolina law, any contract between the University and an entity in which a person has a substantial interest which was entered into in violation of state laws governing conflicts of interest is void.

The provisions of Section 5 are effective July 1, 2001. Initial disclosure forms will be filed on or before October 1, 2001. The provisions of paragraph c(iii) will apply to all contracts entered into after January 1, 2002.