

**LEBANESE AMERICAN UNIVERSITY  
CONFLICT OF INTEREST POLICY**

**1. Definitions.**

*Interested Persons means:*

The members of the University's Board of Trustees (the "Board"); the University's President, Provost, Vice Presidents, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer ("Officers"); full-time faculty, full-time staff (Grade 13 and above as per LAU policy) and Key Employees (persons positioned to exercise substantial influence over the affairs of the University under the standards set forth in Section 4958 of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations thereunder governing "excess benefit transactions").

*Family Member means:*

Spouses, domestic partners (as such term is used in Section 2994-A of the New York Public Health Law) ancestors, siblings (whether whole or half-blood), children (natural or adopted), grandchildren, great grandchildren and spouses or domestic partners of siblings, children, grandchildren and great grandchildren.

*Related Party means:*

Interested Persons, Family Members of Interested Persons and any entities or organizations in which any Interested Person or an Interested Person's Family Member has an Active Role.

*Active Role means:*

The applicable Interested Person or Interested Person's Family Member has influence with respect to the decision-making processes or operations of an entity or organization, defined to include:

- A greater than 10% direct, beneficial or indirect ownership in limited liability, and/or joint stock companies.
- Direct, beneficial or indirect ownership in an unlimited partnership or professional corporation, irrespective of percentage ownership.
- Membership on for-profit boards and/or on executive and non-executive committees.
- Holding a senior managerial position.

*Related Party Transaction means:*

Any transaction, agreement or arrangement in which a Related Party has a financial interest and in which the University is a participant.

*Substantial Business Dealing means:*

Any transaction or arrangement pursuant to which such Related Party has a right to receive, directly or indirectly, remuneration or value estimated to exceed U.S. Five thousand dollars (USD

5,000) over the term of the transaction or arrangement, including not only fiscal transactions but any other matters affecting University programs, personnel or auxiliary enterprises.

## **2. Purpose.**

Lebanese American University enjoys a special status in society, operating as a non-profit organization of higher education, in a large part supported by gifts made directly to the Institution, or for the benefit of students, to support their ability to pay tuition. The Board is responsible for maintaining and strengthening the quality and standards of the Institution and for assuring that the funds available to LAU are used most effectively to benefit the students. For purposes of this Conflict of Interest Policy (this "Policy"), the term "University" (used interchangeably with the terms "LAU" and the "Institution") includes any subsidiaries or affiliates of the University. The Board's Audit Committee (the "Audit Committee") and University administrators (the "Administration") shall have initial and principal responsibility for instituting, administering and monitoring compliance with this Policy.

Because the Board is responsible for the total well-being of the Institution, its responsibility extends beyond financial aspects into all matters bearing on the progress, stability and effectiveness of the Institution. Thus, the Board should be alert to, and must remain informed of, all relationships which could be seen as affecting the integrity of the University or its governance structure. These may not always be issues of legality but of self-imposed standards. Among the intentions of this Policy is to assure that Board members place the welfare of the Institution above the personal interests of any Related Party engaged in a Substantial Business Dealing. In every case, decisions taken by the Board are to be made solely on the basis of a desire to promote the best interests of the Institution and the community it serves.

An Interested Person may have a conflict of interest with respect to a transaction or arrangement involving the University whenever he or she, or any other Related Party: (a) receives or anticipates receiving compensation from the University and the transaction or arrangement involves that compensation, (b) has or anticipates having any financial interest, including any ownership or investment interest with any business venture, entity or organization that has a transaction or arrangement with the University or (c) serves or anticipates serving as a director, manager, managing member, trustee or officer of any business venture, entity or organization that has a transaction or arrangement with the University.

This Policy provides (a) a systematic mechanism for disclosing and evaluating potential and actual conflicts and (b) procedures to be followed by the Board, the Audit Committee and the Administration in considering any transaction or arrangement where a conflict may exist. This Policy is intended to supplement, but not replace, any applicable laws governing conflicts of interest applicable to nonprofit or charitable corporations, including, without limitation, Section 4958 of the Code, New York not-for-profit corporation law and the applicable laws of any other jurisdiction in which the University operates.

In conjunction with this Policy, the University has the following general conflicts policies, each of which shall be strictly abided and which are consistent with the obligations of Interested Persons to act in the best interests of the University: (a) the University does not accept gifts or contributions in any form, from any source, which are conditioned upon a past, present or future business relationship between the University and the grantor or contributor; (b) Members of the Board, and other supporters of the Institution, are not compensated for their services, and should not expect financial rewards for their service and support; (c) with respect to Substantial Business Dealings, the University prefers to enter into transactions or

arrangements with persons or entities who are not Related Parties, provided that comparable alternative transactions or arrangements (identified through the process set forth in Section 5(a)(ii) or otherwise) are available and (d) the University's Purchasing Policy shall be strictly adhered to at all times.

### **3. Duties of Interested Persons.**

The following duties shall apply to Interested Persons, and shall be carried out faithfully by the Interested Persons in their conduct of the University's business. Each Interested Person shall:

- a) Perform his or her duties for the University (i) in good faith, with at least a degree of care that an ordinarily prudent person would exercise under similar circumstances and (ii) acting with loyalty to the University and not for personal advantage.
- b) Avoid engaging in transactions or arrangements that present actual conflicts or the appearance of conflicts of interest, except as expressly permitted by this Policy.

### **4. Disclosure and Review of Potential Conflicts.**

The following rules and procedures shall apply to Interested Persons, the Administration, the Audit Committee, the Board and any other person or entity whose compliance is required to fulfill the purpose of this Policy. All of the disclosure requirements in this Policy shall apply to potential conflicts arising from existing, as well as potential, transactions or arrangements.

- a) Each Interested Person shall disclose in good faith all actual and potential conflicts of interest as set forth in this Policy, including any actual or potential conflict of interest (i) existing at the time he or she becomes an Interested Person, (ii) arising while he or she is an Interested Person and (iii) annually. Initial and annual actual and potential conflicts should be disclosed in the questionnaire attached hereto, the completion of which is mandatory. Completed questionnaires should be returned to LAU Legal Counsel, which will share all disclosure statements and questionnaires with the chairs of the Audit Committee and, when applicable, the Board.

If the Administration, Audit Committee or the Board has reasonable cause to believe that an Interested Person has failed to comply with this Policy, the University may consider appropriate corrective actions.

- b) If the Administration identifies an existing or potential transaction or arrangement that may be an actual or potential conflict of interest under this Policy, the Administration should, after completion of any corresponding tender process required by LAU policies, present the Audit Committee with full details and transaction terms so that the Audit Committee, and then subsequently the Board, can make an informed decision on the matter.
- c) The University shall not designate a person to serve in any position (including as a Board member) which would cause that person to become an Interested Person unless and until the person has signed a statement affirming that he or she has received a copy of this Policy, has read and understands it and has agreed to comply with it, and has completed the questionnaire attached hereto disclosing his or her actual and potential conflicts of interest.

- d) Generally, subject to the terms of this Policy and the University's Bylaws, information regarding potential conflicts of interest, including all written disclosures and related materials, shall be reviewed first by applicable individuals or departments within the Administration (e.g., LAU legal counsel and others) and then presented to the Audit Committee, which Committee will analyze the scope and likelihood of an actual conflict of interest and make a recommendation of its findings to the Board. However, in the event that a potential conflict first arises or is first made known to the University during a Board meeting, that potential conflict shall be disclosed to and analyzed by the full Board present at that meeting.
- e) The ongoing management of any transaction or arrangement that is disclosed and analyzed as a potential conflict hereunder pursuant to Section 5 shall be carefully monitored by the Administration to ensure that the best and most objective business judgment is always exercised by the University.

## 5. Evaluation of Likely or Actual Conflicts.

In the event a likely or actual conflict of interest has been identified pursuant to Section 4, the University may enter into the relevant transaction or arrangement only after the following processes are properly adhered to.

- a) The following must occur before the Board can deliberate and vote on a likely or actual conflict of interest presented to it:
  - i) Each relevant Interested Person must recuse himself or herself from discussion, deliberation and voting of the applicable conflict of interest, and physically remove himself or herself from any Board meeting when a vote on any related matter is taken, except that the Interested Person may appear prior to the vote to disclose or provide additional information regarding the conflict to the Board. An Interested Person shall not attempt to influence in any way deliberation or voting on any transaction or arrangement in which he or she has a conflict of interest.
  - ii) With respect to any Substantial Business Dealings involving an Interested Person or Related Party, prior to presentment of the Substantial Business Dealing, if it presents a conflict to the Board, the Administration shall be responsible for soliciting three or more independent bids, or tenders, opened simultaneously to determine the best price available to the University. The Board or the Audit Committee may also develop alternatives to remove the conflict from the transaction or arrangement and, if appropriate, appoint a disinterested person or Committee member to investigate alternatives to present to the Board and/or the Audit Committee.
- b) Assuming satisfaction of the conditions described in Section 5(a), a majority of the members of the Board who have no interest in the applicable transaction or arrangement and are present at the Board meeting may approve a transaction or arrangement in which there may be a conflict with an Interested Person or Related Party, after determining in good faith and after reasonable investigation that the transaction or arrangement is fair and reasonable to the University and in its best interest.

**6. Ongoing Oversight and Record-Keeping.**

- a) The University shall cause its corporate records to include reasonably descriptions of all potential and actual conflicts of interest of which the University becomes aware. Among these records shall be minutes from any Audit Committee or Board meetings in which potential or actual conflicts of interest are discussed, which should contain, at a minimum, a reasonably detailed description of the conflict or potential conflict and any related determinations made by the Committee or Board.
- b) The University shall instruct its external auditors to prepare and distribute to the Board and the Audit Committee an annual report identifying, with respect to the applicable year, all transactions and arrangements between the University and Interested Persons and their Family Members and any payments by the University to Interested Persons and their Family Members, which report shall provide the Board and the Audit Committee full disclosure and information concerning all such transactions, arrangements and payments.
- c) If the Board approves a transaction or arrangement pursuant to Section 5, the Administration shall, thereafter, carefully monitor such transaction or arrangement and bring any complaints or concerns as to the satisfactory performance of such transaction or arrangement to the attention of Board and the Audit Committee.

**7. Effective Date**

The foregoing Conflict of Interest Policy of the Lebanese American University was amended by the Board of Trustees on September 8 & 9, 2016 and is effective as of September 9, 2016. This Conflict of Interest Policy was originally effective as of June 7, 2003, and was previously amended on May 12, 13, & 14, 2005; September 14 & 15, 2006; March 19 & 20, 2015; and on September 10 & 11, 2015; September 8 & 9, 2016; and on March 30 & 31, 2017.

**LEBANESE AMERICAN UNIVERSITY**  
**Mandatory Conflict of Interest Disclosure Form for LAU Community**

***For purposes of compliance with LAU’s Conflict of Interest Policy (the “Policy”) and audit and reporting requirements, you are kindly requested to complete and return this Conflict of Interest Disclosure Form. Please note that completing this form, and/or providing any information hereunder, will be in satisfaction of the Lebanese American University’s duty to comply with the Policy and applicable laws.***

***This Disclosure Form must be submitted to LAU by each “Interested Person” (as that term is defined in the Policy) prior to the undersigned individual becoming an Interested Person, promptly upon any change in status and annually thereafter, prior to the beginning of each LAU fiscal year.***

***If you need more space than is provided below for your responses, please provide the information on the additional pages provided and attach them to this Disclosure Form. Capitalized terms that are used but not defined in this form have the meanings assigned to such terms in the Policy. A copy of the Policy is provided with this Disclosure Form and defined terms are listed on the addendum at the back of this Disclosure Form.***

1. Are you aware of any direct or indirect Related Party Transaction conducted with the University or any of its affiliates by yourself or a Family Member or any business venture, entity or organization in which you have an Active Role?

Yes       No

If yes, please list and provide a brief description of the key terms of each such Related Party Transaction and your best estimate of the potential annual financial benefit you expect to receive from each listed Related Party Transaction.

Please check this box if the annual financial benefits is expected to exceed USD 5,000:

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2. Did you, a Family Member or any business venture, entity or organization in which you have an Active Role receive, during the past 12 months, any gifts from any source from which the University or any of its affiliates buys goods or services or otherwise has any on-going transaction(s) or arrangement(s)?

Yes       No

If yes, please list each such gift, its source, and your best estimate of its approximate value below.

Name of Source

Item

Approximate Value

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3. Have you engaged in any activities not expressly approved by the University that may be in conflict with your duties and responsibilities or prospective duties and responsibilities at the University or any of its affiliates?

Yes  No

If yes, please give details.

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4. Have you engaged in any activity that would or may violate the Policy?

Yes  No

If yes, please specify.

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5. Did you have a family or a business relationship with any other trustee, officer or key employee at the University or any of its affiliates?

Yes  No

If yes, please elaborate.

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6. Does any Family Member have an employment or independent contractor engagement with LAU or any of its affiliates?

Yes  No

If yes, please elaborate.

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7. \*Please list your or any Family Member's:

(This question does not apply to faculty members, unless they have been requested to complete these details by the LAU Administration, based on their Form 990 status or they hold an administrative appointment at LAU of any nature whatsoever).

- Greater than 10% direct, beneficial or indirect ownership in limited liability and/or joint stock companies (please include the ownership percentage in your response)

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Percentage of ownership</b>	<b>Owner's Name</b>	<b>Relationship to you</b>

- Direct, beneficial or indirect ownership in an unlimited partnership or professional corporation, irrespective of percentage of ownership (please include the ownership percentage in your response)

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Percentage of ownership</b>	<b>Owner's Name</b>	<b>Relationship to you</b>

- Membership on for-profit boards and/or on executive or non-executive committees

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- Holding a senior managerial position

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8. To the extent not addressed by any other response, please identify any entity in which you are an officer, director, trustee, member, owner or employee if, to the best of your knowledge, such entity has a business relationship with the University or any of its affiliates?

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I certify that (a) the forgoing information is true and complete to the best of my knowledge; (b) I have received a copy of the Policy; (c) I have read and understand the Policy; (d) I agree to be bound by the terms of the Policy; and (e) I understand that LAU has the right to take any corrective action that it may deem appropriate in the event that I violate the Policy, including the suspension or termination of my relationship with LAU, following due process as per LAU related applicable policies and procedures . Further, I will promptly notify Lebanese American University Administration if there should be any change in my circumstances as related to the information set forth in this disclosure form.

\_\_\_\_\_  
Name (in printed letters)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title (in printed letters)

\_\_\_\_\_  
Date

## **Addendum for Defined Terms**

**Active Role:** The applicable Interested Person or Interested Person's Family Member has influence with respect to the decision-making processes or operations of an entity or organization, defined to include:

- A greater than 10% direct, beneficial or indirect ownership in limited liability, and/or joint stock companies.
- Direct, beneficial or indirect ownership in an unlimited partnership or professional corporation, irrespective of percentage ownership.
- Membership on for-profit boards and/or on executive and non-executive committees.
- Holding a senior managerial position.

**Family Member:** Spouses, domestic partners (as such term is used in Section 2994-A of the New York Public Health Law) ancestors, siblings (whether whole or half-blood), children (natural or adopted), grandchildren, great grandchildren and spouses or domestic partners of siblings, children, grandchildren and great grandchildren.

**Interested Persons:** The members of the University's Board of Trustees (the "Board"); the University's President, Provost, Vice Presidents, Chief Executive Officer, Chief Financial Officer and Chief Operating Officer ("Officers"); full-time faculty, full-time staff (Grade 13 and above as per LAU policy) and Key Employees (persons positioned to exercise substantial influence over the affairs of the University under the standards set forth in Section 4958 of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations thereunder governing "excess benefit transactions").

**Related Party:** Interested Persons, Family Members of Interested Persons and any entities or organizations in which any Interested Person or an Interested Person's Family Member has an Active Role.

**Related Party Transaction:** Any transaction, agreement or arrangement in which a Related Party has a financial interest and in which the University is a participant.

**Substantial Business Dealing:** Any transaction or arrangement pursuant to which such Related Party has a right to receive, directly or indirectly, remuneration or value estimated to exceed USD 5,000 over the term of the transaction or arrangement, including not only fiscal transactions but any other matters affecting University programs, personnel or auxiliary enterprises.



***This Disclosure Form must be submitted to LAU by each "Interested Person" (as that term is defined in the Policy) prior to the undersigned individual becoming an Interested Person, promptly upon any change in status and annually thereafter, either prior to the beginning of each LAU fiscal year or, in the case of members of LAU's Board of Trustees (the "Board"), during the Board's annual meeting held in September of each year.***

***If you need more space than is provided below for your responses, please provide the information on the additional pages provided and attach them to this Disclosure Form. Capitalized terms that are used but not defined in this form have the meanings assigned to such terms in the Policy. A copy of the Policy is provided with this Disclosure Form and defined terms are listed on the addendum at the back of this Disclosure Form. (Note: If you are being considered for membership on the Audit Committee, please provide information relating to the last two years if you have not already been a Trustee for two years.)***

9. Are you aware of any direct or indirect Related Party Transaction conducted with the University or any of its affiliates, including LAUMC-RH, by yourself or a Family Member or any business venture, entity or organization in which you have an Active Role?

Yes       No

If yes, please list and provide a brief description of the key terms of each such Related Party Transaction and your best estimate of the potential annual financial benefit you expect to receive from each listed Related Party Transaction.

Please check this box if the annual financial benefits is expected to exceed USD 5,000:

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10. Did you, a Family Member or any business venture, entity or organization in which you have an Active Role receive, during the past 12 months, any gifts from any source from which the University or any of its affiliates, including LAUMC-RH, buys goods or services or otherwise has any on-going transaction(s) or arrangement(s)?

Yes       No

If yes, please list each such gift, its source, and your best estimate of its approximate value below.

<u>Name of Source</u>	<u>Item</u>	<u>Approximate Value</u>
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11. Have you engaged in any activities not expressly approved by the University that may be in conflict with your duties and responsibilities or prospective duties and responsibilities at the University or any of its affiliates, including LAUMC-RH?

Yes       No

If yes, please give details.

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12. Have you engaged in any activity that would or may violate the Policy?

Yes       No

If yes, please specify.

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13. Did you have a family or a business relationship with any other trustee, officer or key employee at the University or any of its affiliates, including LAUMC-RH?

Yes       No

If yes, please elaborate.

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14. Does any Family Member have an employment or independent contractor engagement with LAU or any of its affiliates, including LAUMC-RH?

Yes       No

If yes, please elaborate.

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15. Please list your or any Family Member's:

- Greater than 10% direct, beneficial or indirect ownership in limited liability and/or joint stock companies (please include the ownership percentage in your response)

<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Percentage of ownership</b>	<b>Owner's Name</b>	<b>Relationship to you</b>

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<b>Name of entity</b>	<b>Country of incorporation</b>	<b>Percentage of ownership</b>	<b>Owner's Name</b>	<b>Relationship to you</b>

- Membership on for-profit boards and/or on executive or non-executive committees

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- Holding a senior managerial position

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16. To the extent not addressed by any other response, please identify any entity in which you are an officer, director, trustee, member, owner or employee if, to the best of your knowledge, such entity has a business relationship with the University or any of its affiliates, including LAUMC-RH?

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**I certify that (a) the forgoing information is true and complete to the best of my knowledge; (b) I have received a copy of the Policy; (c) I have read and understand the Policy; (d) I agree to be bound by the terms of the Policy; and (e) I understand that LAU has the right to take any corrective action that it may deem appropriate in the event that I violate the Policy, including the suspension or termination of my relationship with LAU. Further, I will promptly notify Lebanese American University Administration if there should be any change in my circumstances as related to the information set forth in this disclosure form.**

\_\_\_\_\_  
Name (in printed letters)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title (in printed letters)

\_\_\_\_\_  
Date

**Please return your signed and dated Disclosure Form to:**

University Legal Counsel  
Lebanese American University – Beirut Campus  
P.O. Box 13-5053 Chouran  
Beirut 1102 2801, Lebanon

## **Addendum for Defined Terms**

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