

KANSAS BIOSCIENCE AUTHORITY

CONFLICTS OF INTEREST AND DOCUMENTATION POLICY

Adopted January 9, 2007

ARTICLE I. Scope

This Conflicts of Interest and Documentation Policy (“Policy”) applies to all directors and officers of the Kansas Bioscience Authority (“Authority”) and any other person to whom power has been delegated by the Board of Directors of the Authority (collectively, “Officials”), and spouses, any children of any age, and any persons residing in the residence of such Officials (collectively, and including an Official, defined to be “Interested Persons”).

ARTICLE II. Purpose

The purpose of this Policy is to protect the Authority’s interests by requiring disclosure and appropriate action in a number of instances, including but not limited to, when: (1) the Authority is interacting with another entity or person in a way that might benefit, directly or indirectly, an Interested Person; (2) an Interested Person has an interest in an entity competing with the Authority; or (3) an Interested Person either owns or proposes to own an interest in an entity that has entered into an Agreement with the Authority. This Policy supplements, but cannot replace, any applicable laws governing conflicts of interest applicable to the Authority and its Interested Persons.

ARTICLE III. Definitions

1. “Agreement” means any agreement of any nature whatsoever including, but not limited to, loans, investments, grants or benefits granted by the Authority, sales and conveyances of real and personal property, and performance of services or the provision of goods.
2. “Board” means the Board of Directors of the Authority.
3. “Business” means any corporation, association, partnership, proprietorship, trust, joint venture, or governmental agency unit or governmental subdivision, and any other business interest, including ownership or use of land for income.
4. “Compensation” means any money, thing of value, or economic benefit conferred on, or received by, any Person in return for services rendered, or to be rendered, by such Person or another.
5. “Competitive Affiliation” means an Interested Person having, or proposing to have, a Substantial Interest in any Business or Person that is in a competitive situation with the Authority in those instances where the Authority intends or is considering entering into a similar Agreement as the competing Business or Person.

6. “Interested Persons” means, collectively, all Officials of the Authority and spouses, any children of any age, and any persons residing in the residence of such Officials.”).

7. “Officials” means, collectively, all directors and officers of the Authority and any other person to whom power has been delegated by the Board of Directors of the Authority.

8. “Person” means an individual, proprietorship, partnership, limited partnership, association, trust, estate, business trust, group, or corporation, whether or not operated for profit, or a governmental agency unit or subdivision.

9. “Substantial Interest” means any of the following:

(a) If an Interested Person, either individually or collectively, owns a legal or equitable interest exceeding \$5,000 or 5% of any Business, whichever is less, on or after the date of such individual’s appointment or selection as an Interested Person, the individual has a Substantial Interest in that Business.

(b) If an Interested Person, either individually or collectively, receives or will receive, Compensation which is or will be required to be included as taxable income on federal income tax returns of the individual and spouse in an aggregate amount of \$2,000 or more from any Business or combination of Businesses, in any calendar year, on or after the date of such individual’s appointment or selection as an Interested Person, the individual has a Substantial Interest in that Business or combination of Businesses.

(c) If an Official, or an Interested Person of such Official, either individually or collectively, receives or will receive, directly or indirectly, gifts or honoraria having an aggregate value of \$500 or more from any Person or Business, on or after the date of the Official’s appointment or selection as an Official, the individual has a Substantial Interest in that Person or Business. If a gift is received for which the value is unknown, the individual will be deemed to have a Substantial Interest in the donor. A Substantial Interest does not exist under this subsection by reason of: (1) a gift or bequest received as the result of the death of the donor; (2) a gift from a spouse, parent, grandparent, sibling, aunt, or uncle; or (3) acting as a trustee of a trust for the benefit of another.

(d) If an Interested Person holds the position of officer, director, associate, partner, or proprietor of any Business, the individual has a Substantial Interest in that Business, irrespective of the amount of Compensation received by the individual or individual’s spouse.

(e) If an Interested Person receives or will receive Compensation which is a portion or percentage of each separate fee or commission paid to a Business or combination of Businesses, the individual has a Substantial Interest in any client or customer who pays fees or commissions to the Business or combination of Businesses from which fees or commissions the Interested Person or his or her spouse, individually or collectively, receives or will receive an aggregate of \$2,000 or more in any calendar year, on or after the date of the Interested Person’s appointment or selection as an Interested Person.

ARTICLE IV. Procedures for Agreements

1. Duty to Disclose. If any Official, or any Interested Person of such Official, has a direct or indirect Substantial Interest in any Business or Person with which the Authority is considering entering into an Agreement, that Official must disclose such Substantial Interest to the Authority in writing.

2. No Participation in Agreement. If any Official, or any Interested Person of such Official, has a direct or indirect Substantial Interest in any Business or Person, within 12 months of when the Authority is considering entering into an Agreement with such Business or Person, such Official will not: (a) participate in any way in negotiating the Agreement; (b) communicate with anyone affiliated with the Authority or the Business or the Person with respect to the Agreement, except as otherwise provided below; (c) participate in any board or committee discussions regarding the Agreement, except as otherwise permitted below; or (d) participate in any board or committee vote regarding the Agreement.

3. Determining Whether a Conflict of Interest Exists. After disclosure of the Substantial Interest and all material facts, and after any discussion with the Official, he or she will leave the Board meeting or committee meeting while the determination of an actual or potential conflict of interest is discussed. The remaining disinterested members of the Board will decide if an actual or potential conflict of interest exists.

4. Procedures for Addressing the Conflict of Interest.

When an Official, either for himself/herself or for an Interested Person, has disclosed a direct or indirect Substantial Interest in a Business or Person with which the Authority is considering entering into an Agreement, the Board will determine by a majority vote of the disinterested directors whether the Agreement is in the Authority's best interest and for its own benefit and whether the transaction is fair and reasonable to the Authority. The Board will make its decision as to whether to enter into the Agreement in conformity with such determination, subject to the requirements of Kansas law. The Agreement may not be authorized, approved or ratified by a single disinterested director.

ARTICLE V. Procedures for Competitive Affiliations

1. Duty to Disclose. If any Official, or any Interested Person of such Official, has, or proposes to have, a direct or indirect Substantial Interest in any Business or Person that is in a competitive situation with the Authority in connection with the Authority's consideration of entering into a similar Agreement as the competing Business or Person (i.e., a Competitive Affiliation as defined herein), such Official will disclose such interest to the Authority in writing.

2. No Participation in Agreement. If any Official, or any Interested Person of such Official, has a Competitive Affiliation in any Business or Person within 12 months of when the Authority is considering entering into a similar Agreement as the competing Business or Person, such Official will not: (a) participate in any way in negotiating the Agreement; (b) communicate with anyone affiliated with the Authority or the competing Business or Person with respect to the Agreement, except as otherwise provided below; (c) participate in any board or committee

discussions regarding the Agreement, except as otherwise permitted below; or (d) participate in any board or committee vote regarding the Agreement.

3. Board Action. After full written disclosure of an existing or proposed Competitive Affiliation, the Board of the Authority will, in its sole discretion and at a duly called meeting, approve and accept the Interested Person's Competitive Affiliation or notify the Interested Person that such affiliation is unacceptable because of the potential or actual conflicts of interest.

4. Determining Whether a Conflict of Interest Exists. After disclosure of the Competitive Affiliation and all material facts, and after any discussion with the Interested Person, the Official will leave the Board meeting or committee meeting while the determination of whether the Competitive Affiliation constitutes an actual or potential conflict of interest is discussed and voted upon. The remaining disinterested Board members will decide if an actual or potential conflict of interest exists.

5. Options Upon Determination of Conflict of Interest. Upon the Board's determination, in its sole discretion, that a Competitive Affiliation constitutes an actual or potential conflict of interest or is otherwise impermissible, the Interested Person must relinquish the Competitive Affiliation or discontinue any affiliation with the Board and/or the Authority.

ARTICLE VI. Prohibitions on Certain Types of Investments

In those instances where the Authority is considering entering into an Agreement, or has already entered into an Agreement, with a Business or Person, and an Interested Person proposes to acquire a Substantial Interest in such Business or Person, then no such Interested Person may acquire such Substantial Interest without first fully disclosing to the Board of Directors the proposed Substantial Interest, complying with the provisions of Sections 2 and 3 of Article IV of this Policy, and then receiving approval of the Board by a majority vote of the disinterested directors. The Board will act on any such disclosure on or before the date of the next Board meeting following the disclosure.

ARTICLE VII. Limitations on Accepting Gifts and Solicitations

No Official may solicit or accept anything of value including any gift, economic opportunity, loan, gratuity, special discount, or services provided due to such Official's position with the Authority; provided such Official may accept the following:

1. Meals of a personal or family nature or those provided at events that are widely attended, meaning an event where it is obvious to such Official that such meal is not provided to garner exclusive or near exclusive access to such Official;
2. Meals provided at public events such Official attends in an official Authority capacity;
3. Snack food, soft drinks, or coffee not offered as part of a meal;

4. Gifts with a value of less than \$40 given at a ceremony where an Official accepts such gifts in an official Authority capacity;

5. Gifts from family or personal friends where it is obvious such gift is not given due to such Official's position with the Authority;

6. Gifts given to such Official as a representative and on behalf of the authority or State of Kansas that inures to the benefit of the Authority or State of Kansas; and

7. Discounted travel where it is clear that such benefit is not given due to such Official's position with the Authority.

ARTICLE VIII. Confidential Information; Nepotism

1. No Interested Person will disclose or use confidential information acquired in the course of such Interested Person's interaction with the Authority or knowledge of the Authority's plans in order to further such Interested Person's own economic interest or those of any Person or Business other than the Authority.

2. No Interested Person will advocate or cause the employment, appointment, promotion, transfer, or advancement to any position with the Authority or State of Kansas of a member of such Interested Person's household or a family member nor will such Interested Person participate in any action relating to the employment or discipline of such Interested Person's household or a family member.

ARTICLE IX. Violations of Authority Policy

1. Failure to Disclose; Violations. If the Board has reasonable cause to believe that an Official (a) has failed to disclose actual or possible conflicts of interest, a Substantial Interest, or a Competitive Affiliation, whether such involves the Official or an Interested Person of such Official; or (b) is violating the Board's directive or policy regarding an actual or possible conflict of interest, or policies regarding gifts, use of confidential information, or nepotism, it will inform the Official of the basis for such belief and afford the Official an opportunity to explain the alleged violation.

2. Disciplinary Action. If, after hearing the response of the Official and making such further investigation as may be warranted in the circumstances, the Board determines that the Official (a) has in fact failed to disclose an actual or possible conflict of interest, a Substantial Interest, or a Competitive Affiliation, whether such involves the Official or an Interested Person of such Official; or (b) is violating the Board's directive or policy regarding an actual or possible conflict of interest, or policies regarding gifts, use of confidential information, or nepotism, it will take disciplinary and corrective action as it deems necessary or appropriate, including without limitation, removing such Official from his or her position with the Authority in compliance with the Authority's Bylaws and the Kansas Bioscience Authority Act.

ARTICLE X. Records of Proceedings

The minutes of the Board and all committees with Board-delegated powers will contain:

(a) the names of the persons who disclosed or otherwise were found to have a Substantial Interest or a Competitive Affiliation; the nature of the Substantial Interest; any action taken to determine whether a potential or actual conflict of interest was present; and, the Board's decision as to whether a potential or actual conflict of interest in fact existed; and

(b) the names of the persons who were present for discussions relating to a Competitive Affiliation or an Agreement, the content of the discussion, and a record of any votes taken in connection therewith.

ARTICLE XI. Written Statements of Substantial Interest

All Board members and officers of the Authority will file a written statement pursuant to K.S.A. 46-247 *et seq.* and amendments thereto regarding any Substantial Interests within the meaning of K.S.A. 46-229 and amendments thereto that each director or officer may hold, and will provide a copy of such written statement to the Secretary of the Authority.

ARTICLE XII. Acknowledgement

Each Official will annually sign a statement that affirms such Interested Person has received a copy of this Policy, as amended, has read and understands the policy, and has agreed to comply with the policy.

ARTICLE XIII. Standard of Conduct

Although from time to time events may arise that do not rise to the level of a conflict as described herein, Officials of the Authority are reminded that they are bound by fiduciary duties of care and loyalty. Accordingly, all Officials must act, at all times, in accordance with these duties and in the best interests of the Authority.

**KANSAS BIOSCIENCE AUTHORITY
CONFLICT OF INTEREST DISCLOSURE FORM**

NAME: _____ POSITION: _____
ADDRESS: _____
CITY: _____ STATE: _____ ZIP: _____ PHONE: () _____

PURPOSE

The purpose of this Policy is to protect the Authority's interests by requiring disclosure and appropriate action in a number of instances, including but not limited to, when: (1) the Authority is interacting with another entity or person in a way that might benefit, directly or indirectly, an Interested Person; (2) an Interested Person has an interest in an entity competing with the Authority; or (3) an Interested person either owns or proposes to own an interest in an entity that has entered into an Agreement with the Authority. This Policy supplements, but cannot replace, any applicable laws governing conflicts of interest applicable to the Authority and its Interested Persons.

DISCLOSURE

This form should be filed with the Secretary of the Authority at the time when the answer to either of the following questions can be answered "yes":

1. Do you (or your spouse or any child of any age, or any person living in your residence) have, or propose to have, a direct or indirect Substantial Interest (as defined below) in any entity that has entered into or is considering entering into an agreement or arrangement with the Authority including, but not limited to, sales and conveyances of real and personal property and agreements for the performance of services or the provision of goods, including benefits or incentives (an "Agreement")? _____ (YES or NO)

2. Do you (or your spouse or any child of any age, or any person living in your residence) have, or propose to have, a direct or indirect Substantial Interest in any Person or Business competing with the Authority in connection with the Authority's consideration of entering into a similar Agreement with that same Person or Business? _____ (YES or NO)

If question 1 or 2 has been answered "Yes," please describe the Substantial Interest and how the Substantial Interest is related to: (1) the Agreement, or (2) the Person or Business competing with the Authority as described above. The definition of "Substantial Interest" under the Authority's Policy is attached.

Please print or type:

1. OWNERSHIP INTEREST EXCEEDING \$5,000 OR 5%.

Company Name: _____ Phone: () _____
Address: _____
Description of Interest: _____

2. COMPENSATION OF \$2,000 OR MORE.

Company Name: _____ Phone: () _____
Address: _____
Description of Interest: _____

3. GIFTS/HONORARIA OF \$500 OR MORE OR OF UNKNOWN VALUE.

Company Name: _____ Phone: () _____
Address: _____
Description of Interest: _____

4. DIRECTOR, OFFICER, ASSOCIATE, PARTNER OR PROPRIETOR.

Company Name: _____ Phone: () _____
Address: _____
Description of Interest: _____

5. PAYMENT OF FEES/COMMISSIONS OF \$2,000 OR MORE.

Company Name: _____ Phone: () _____
Address: _____
Description of Interest: _____

(Attach additional sheets as necessary.)

DECLARATION

I, _____, declare that this conflict of interest disclosure form and statement of Substantial Interest has been examined by me and to the best of my knowledge and belief is a true, correct and complete statement as of the date set forth below.

Date: _____

Signature

PLEASE RETURN THIS FORM TO THE SECRETARY OF THE AUTHORITY

DEFINITION OF SUBSTANTIAL INTEREST

Under the Kansas Bioscience Authority Conflict of Interest Policy, a Substantial Interest means any of the following:

- If an Interested Person or his or her spouse, either individually or collectively, owns a legal or equitable interest exceeding \$5,000 or 5% of any Business, whichever is less, on or after the date of such individual's appointment or selection as an Interested Person, the individual has a Substantial Interest in that Business.
- If an Interested Person or his or her spouse, either individually or collectively, receives or will receive, Compensation which is or will be required to be included as taxable income on federal income tax returns of the individual and spouse in an aggregate amount of \$2,000 or more from any Business or combination of Businesses, in any calendar year, on or after the date of such individual's appointment or selection as an Interested Person, the individual has a Substantial Interest in that Business or combination of Businesses.
- If an Official, or an Interested Person of such Official, either individually or collectively, receives or will receive, directly or indirectly, gifts or honoraria having an aggregate value of \$500 or more from any Person or Business, on or after the date of such Official's appointment or selection as an Official, the individual has a Substantial Interest in that Person or Business. If a gift is received for which the value is unknown, the individual will be deemed to have a Substantial Interest in the donor. A Substantial Interest does not exist under this subsection by reason of: (1) a gift or bequest received as the result of the death of the donor; (2) a gift from a spouse, parent, grandparent, sibling, aunt, or uncle; or (3) acting as a trustee of a trust for the benefit of another.
- If an Interested Person or his or her spouse holds the position of officer, director, associate, partner, or proprietor of any Business, the individual has a Substantial Interest in that Business, irrespective of the amount of Compensation received by the individual or individual's spouse.
- If an Interested Person or his or her spouse receives or will receive Compensation which is a portion or percentage of each separate fee or commission paid to a Business or combination of Businesses, the individual has a Substantial Interest in any client or customer who pays fees or commissions to the Business or combination of Businesses from which fees or commissions the Interested Person or his or her spouse, individually or collectively, receives or will receive an aggregate of \$2,000 or more in any calendar year, on or after the date of the Interested Person's appointment or selection as an Interested Person.