MILLIKIN UNIVERSITY

Policies and Procedures
of the
Board of Trustees

MAY 2020

9/13/19 Amended at Executive Committee Meeting – Gift Policies – Section V, A, B. & C.
5/16/20 Amended at Commencement Board Meeting- Investment Policy Statement – Spending Rule Increase
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Debt Management Policy

Background

Debt-financing allows the University to pay for an asset over a period of time, up to its useful life, rather than pay for it at the time of purchase. This is a financially responsible practice for certain types of investments within appropriate limitations and at appropriate interest rates. Debt financing may be financially beneficial if borrowing rates are below investment returns or if the University invests in capital assets which provide investment returns or cost savings which are larger than the cost of borrowing.

The following principles and guidelines recognize both the short-term and long-term issues in prudent financial management, as well as the overall goal of maximizing the learning environment provided by University resources and pursuing the strategic goals of the University. Use of debt must be considered in concert with the use of gift funds, operating funds and endowment funds to minimize the overall cost of capital to the University.

Since debt is a limited resource, an approach for securing debt as cost-effectively as possible is wise. The University can improve the effective use of debt-financing resources by its approaches to structuring debt-financings.

The effective use of debt requires a financial analysis, a legal analysis, and a project analysis.

Principles of Structuring Debt-Financings

Since debt is limited and our demand for debt may exceed the supply at some point in time, it is imperative that borrowings are structured to effectively utilize this resource. Guidelines will assure that the University stretches these resources as far as possible and that financings are executed at the lowest all-in cost. The guidelines for the University to utilize in structuring external borrowings follow.

1. When issuing debt, the University will seek the lowest-cost source of financing available.

2. External borrowings will be for the minimum required portion of project cost. Projects with alternative restricted or unrestricted funding sources may only use debt-financing for the unfunded portion.

A financed project must have an identifiable, high-probability repayment source, and, where possible, a back-up guarantee from an unrestricted resource in case some portion of the intended repayment sources is delayed or not available as planned.

Unrestricted gift balances will be examined and may be utilized up to a reasonable level to support the project investment prior to accessing external debt. We should plan and strive for equity contributions, where appropriate, so that debt financing does not exceed 80% of the project costs.
3. External borrowings will not fund debt service reserve requirements unless it is more cost-effective to do so.

All debt service reserve requirements will be met with surety bonds rather than yield restricted reserve funds when this is cost-effective. This conserves debt capacity for project costs.

4. External borrowings will be coordinated to the extent practical so that multiple project needs can be accommodated in a single borrowing, reducing the use of debt capacity for issuance costs.

Since many issuance costs do not vary with the size of a borrowing, increasing size reduces the amount of debt capacity used to support issuance costs.

5. Variable rate debt will be actively considered as an option for financing capital assets when sufficient invested assets are available to protect against the effect of large swings in interest rates or an interest rate stabilization reserve is financially feasible.

Since the interest cost on a dollar of variable rate debt is far less than the cost of a dollar of fixed rate debt, the University can support more variable rate debt within the established ratios and guidelines. Prudent use of variable rate debt increases the University’s debt capacity.

6. The University will actively consider refinancing a single outstanding debt issue when net savings for that refinancing, measured on a net present value basis, are positive. To the extent possible, refinancings will be combined into single transactions.

Since there are limitations on the number of allowable refinancings, it is important to use refinancing opportunities wisely. It is also wise to combine multiple refinancings into a single issuance to reduce costs and effort.

7. Choices regarding the timing and distribution of savings realized from refinancings will be presented to the Board of Trustees for approval.

The preferred use of savings is to shorten the repayment period by providing for a borrowing to be repaid in a shorter timeframe than originally planned. This relieves debt capacity for new projects more quickly and reduces the University’s cost of capital. A high-priority capital use are the projects with safety implications, or cost savings (self-liquidating) projects.

8. Call options on outstanding borrowings will be exercised when this offers net present value savings when compared to the alternative investment opportunities for these funds.

9. The maturity on a tax-exempt bond issue should be as short as economically feasible for the project, generally should not exceed the useful life of the financial asset, and may never exceed the federally legislated limit of 125% of the useful life of the financed asset.
Since debt is a limited resource, it should be viewed as a facilitator for the acquisition of assets. Repayment should be made as quickly as financially feasible to free up these resources for other worthy projects.

10. Long-term debt will not be used to finance operational expenses. The University will maintain a revolving line of credit to provide sufficient cash flow flexibility.

**Project Feasibility Study Guidelines**

1. Define Project Scope

2. Costs:
   - What is the cost to construct?
   - What is the total project cost?
   - What is the cost to operate?
   - Are there related costs?

3. Project Financings
   - What revenue will be used to pay for project?
     - Gifts
     - Debt
     - Endowment
     - Operating funds
   - What revenue will be used to operate the project?

4. Project Fund-raising
   - Specific fund-raising efforts
   - Alternatives if fund-raising does not materialize

5. Cash Flows
   - Develop cash flows for project construction period and at least ½ of the total estimated project life.

6. Additional tests, if debt-financed:
   - Debt Capacity – Moody’s ratios
   - Debt Capacity – Bond issue covenants

*Rationale: Since debt is limited and our demand for debt may exceed the supply, it is imperative that borrowings are structured to effectively utilize this resource. This policy will allow the University to stretch these resources as far as possible and ensure that financings are executed at the lowest all-in cost.*

*Implemented May 18, 2001 (Draft)*

*Responsible Committee: Budget and Finance Committee*
Financial Guidelines

Policy on Project and Program Funding

Purpose:
Each Project or Program decision has different variables. No set of guidelines will cover every circumstance. With that in mind, this policy seeks to:

1. Ensure that all Projects fit the University’s mission, are market-smart, and align with the Strategic Plan;
2. Provide sufficient time for thoughtful Board consideration of Projects, so that all proposals are well understood and the Board has had time to fully assess financial and operating assumptions;
3. Provide a degree of certainty about the source and adequacy of funding for completion and operation of a Project; and
4. Allow the Board flexibility in the decision making to take into consideration such things, for example, as donors’ situations, financial and construction markets, and effect on recruitment.

Policy:
All Projects (see Definitions) are subject to the following guidelines:

1. Projects over $200,000 in cost require approval by the Board before contracts for construction or other commitments are made.
2. Board approval will be based on a Business Plan for the Project that has been developed by Administration (see Procedure, below) and reviewed and approved by B&F. B&F has the primary responsibility for due diligence for any Project with prior approval from either Facilities (in the case of building or infrastructure) or Educational Affairs (in the case of an academic program) or Marketing and Student Life (in the case of a co-curricular or athletic program). Normally, a Business Plan will go forward to the full Board only after B&F has approved the Project.
3. Use, extent, and type of leverage for a Project is at the total discretion of the Board and may vary from Project to Project.
4. Emergency situations (such as lightning strikes, tornado damage, etc.) are exempt from this policy and will be dealt with as the situation dictates. In these cases the Administration will communicate to the Executive Committee the details of the emergency and the associated costs.
Procedure:

1. Administration will prepare a Business Plan for all Projects incorporating the following components:
   a. statement of relevance to the mission and strategic needs of the University
   b. anticipated costs for planning, construction, financing
   c. timing of the Project, including planning and architectural service and letting of bid documents
   d. evaluation of opportunity costs related to such matters as construction market, state of financial markets, and fund raising efforts
   e. sources and amounts of funding and timing of receipt
   f. data to enable a determination as to whether maintenance expenses will increase substantially and whether that increment is large enough for the establishment of a Maintenance Endowment for the Project and, if so, the level of that endowment, and at what point it is required to be fully funded
   g. For Plans for academic or student programs, the following information is also to be included:
      I. statement of the desired/expected outcomes
      II. analysis/projection of financial implications in terms of start-up costs, recurring funding demands, and revenue projections
      III. exit strategies
   h. A summary report on the Financial Requirements for Construction Projects (see 2 below) showing whether or not the financial conditions were met on a proforma basis including cost and funding alternatives of the Project.

2. Financial Requirements for Construction Projects:
The University must meet the following recommended financial conditions for any construction project at the time of approval, understanding there can be short term fluctuations in the markets. If the recommended financial conditions are met, after the cost and proposed funding of the Project are accounted for on a proforma basis, then the Board may choose to consider the Project and approve its implementation.
   a. Debt vs. Endowment ratio no more than .35.
   b. Endowment valuation no less than $100 million.
   c. Accumulated appreciation on endowment will remain above $30 million.
   d. Minimum cash on hand equal to 25% of the total cost of the project.
   e. Proforma effect of debt covenants after the effect of the project will be reviewed for impact of the project and to ensure the maintenance of passing ratios.
   f. Project must be fully funded from donor cash, donor pledges, borrowing against restricted cash, securing a bond issue or appropriating appreciation on endowment. All actions other than donor cash must be approved by the board.
   g. For any projects funded with 100% donor cash, such projects will be exempt from the financial requirements above.

3. Committee Approval Procedure:
   a. The Project’s Business Plan, before being submitted to B&F for review and approval must be approved by the appropriate committee as set forth in item (2) of the policy.
b. After approval in a) above, Budget and Finance Committee will review the Business Plan including possible internal and external funding sources for the project. If B&F finds the Business Plan feasible and reasonable and it meets the Financial Requirements for Construction Projects, B&F will approve the Project and recommend funding alternatives.

c. Once the Project is approved, if internal funding is required, the Investment Committee will identify and approve the best source of funds for the project.

4. Board action may normally only be scheduled for a meeting subsequent to one at which the Project is first presented and discussed.

5. Within one year of the implementation of a Project (e.g., building commissioning or start up of a program), Administration will provide a “post mortem” including an analysis to B&F and other relevant committees for the purpose of reconciling actual results/costs with the approved plan.

Definitions:

Accumulated Appreciation on Endowment: Appreciation above and beyond the original gift of the donor after investment into the pooled endowment.

Administration: The President, Vice President for Finance and Business Affairs and other staff as appointed by the President.

B&F: Budget and Finance Committee of the Board of Trustees of Millikin University

Board: The Board of Trustees of Millikin University

Building Commissioning: The process of testing and initializing all building mechanical, electrical, plumbing, and other operating features in preparation for initial use of the facility. It is a systematic and documented process of ensuring that the owner's operational needs are met, building systems perform as expected and with efficiency, and building operators are properly trained.

Capital Expense: Expenditures creating future benefits. A capital expenditure is incurred when a business spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life that extends beyond a single year.

Long-term Debt: Borrowings that have a payback period (maturity) of greater than two years.

Maintenance Endowment: An endowment fund established to provide support for the ongoing operations of a building including utilities, custodial services, and routine and preventive maintenance. Also, included is periodic rehab, such as carpet replacement, HVAC repair, painting, etc. This Endowment, however, is not meant to provide for major renovation or building replacement.
Project(s): Those capital projects or program initiatives designed to accomplish specific strategic objectives and for which funding is not currently included in the annual operating budget. Excluded are annual rehab/deferred maintenance activities that have been included in the annual operating budget as well as response to emergencies. A Project is generally defined as those initiatives which may require any of the following:
- a total capital expense is expected in excess of $200,000
- fund raising, government funding, and/or borrowing
- creation of a depreciable capital asset
- new staff, facilities and/or equipment

Strategic Plan: The published statement of Millikin University goals and objectives for future years.

Adopted: 10-06-06
Revised: 11-5-16
Financial Policy regarding Annual Operations Budgeting

1. Purpose:
   a. To create a budget that meets the objectives of being mission driven, comprehensive, realistic, balanced, and equitable.
   b. To create an open, well understood, and agreed upon financial roadmap for fiscal year spending.
   c. To ensure that Strategic Plan priorities are incorporated into the operating budget.
   d. To monitor performance against budget and provide flexibility of decision making regarding variance from budget.

2. Policy:
   a. An annual operating budget requires approval by the Board prior to the beginning of the fiscal year.
   b. Up to $2,000,000 of unrestricted gifts annually may be used to support the operating budget of the corporation. Any unrestricted gifts in excess of $2,000,000 annually will be allocated in accordance with the corporation’s Strategic Plan after review of recommendations from the Administration.
   c. The Annual Operations Budget is constructed to have a breakeven bottom line, including a substantial Operating Reserve line item. Although, during any fiscal year, circumstances are likely to arise that will require transfers of budgeted amounts among Divisions, Departments, or line items, these transfers will not result in a change to the Operating Reserve line item or to the bottom line. Examples of such circumstances include an invitation for the Choir to appear at a national conference as a featured program. Since this could not have been known during the budgeting process and it does represent a unique opportunity, budgets from other areas may be transferred to Choir Travel to cover. Other occasions necessitating budget transfer might include: moving compensation dollars from an unfilled position to cover a need in another area, the need to repair a roof or other physical plant item that cannot be covered within the budgeted rehab amount, or the opportunity to bring a prominent figure to campus to present a lecture or forum.

   Depending on the dollar amount, the transfers will have the following approval process:
   i. Transfers up to $100,000 can be taken by Administrative action
   ii. Transfers of between $100,000 and $250,000 must be approved by the Budget and Finance Committee
   iii. Transfers of $250,000 or more require review and recommendation by the Budget and Finance Committee to the Board for approval
   
   d. Action to fund operating deficits or to access the Operating Reserve budget requires a proposal from the Administration, evaluation and recommendation by the Budget and Finance Committee, and approval by the Board.
   e. Action regarding use of operating surpluses requires a proposal from the administration, evaluation and recommendation by the Budget and Finance Committee, and approval by the Board.
3. Procedure:
   a. Review and action by the Board on budget parameters (tuition, room & board, fees, endowment spending rate and compensation) will occur no later than the Winter Board Meeting proceeded by review and recommendation by the Budget and Finance Committee.
   b. The Budget and Finance Committee will review performance against the budget at each of its meetings.
   c. To implement the above guidelines, the administration will propose specific goals and performance measurements for the review and recommendation of the Budget and Finance Committee and, subsequently, approval by the Board. These goals will serve as the framework for the projected Statement of Activities and will be based on the University plan.
   d. The administration will provide to the Budget and Finance Committee comprehensive progress reports and projections, as appropriate, regarding the current fiscal years in advance of the Board’s Fall, Winter, and Spring Commencement Board meetings. These progress reports should be placed in the context of the prior two fiscal years results. A formal year-end review, accompanied by the external audit and benchmark comparisons, will be provided each year to the Budget and Finance Committee at its meeting during the October Board session.

4. Metrics:
   a. TBD

5. Definitions:
   a. The annual Operating Budget (Budget) will inclusively estimate all current fiscal year revenues and expenses.
   b. Budget Revenues shall be net tuition, fees, grants, interest income and all cash receipts from products and services during the fiscal year plus the Board-approved spending rate for the endowment and the level of budget support from unrestricted gifts.
   c. Budget Expenses shall include all annual cash expenditures plus debt service (interest and amortization of principal), accruals, and capital expenditures, such as those for maintenance, that affect operating cash.
   d. External Funding is restricted cash gifts for designated projects or unrestricted cash gifts as specified by the Board in excess of those included in the annual operating budget.
   e. Cash Budget Surplus is the excess of actual fiscal year Budget Revenue over actual Budget Expenses.
   f. Cash Budget Deficit is the excess of actual fiscal year Budget Expenses over actual Budget Revenues.

Approved by the Board of Trustees October 6, 2006
Responsible Committee: Budget and Finance Committee
Endowment Spending Rate

1. Increasing restricted and unrestricted endowment funds and improving net endowment are vital to the flexibility and fiscal soundness of the institution, to the strengthening of its overall quality and to ensure intergenerational equity.

A. The Board will annually approve the endowment spending rate by the Fall Board meeting, following review and recommendation by the Budget and Finance Committee.

B. The customary aggregate endowment spending rate is 5% of the 12-quarter moving average of the market value of the endowment. Any special additional allocation requires formal Board action, with a specific timeline for returning to the customary rate.

2. The University’s investments are governed by policies recommended by the Investment Committee and approved by the Board. Asset allocation will be as aggressive as possible within the risk structure of the balance sheet in order to maximize long-term rate of return.

Definitions:

1. Net Endowment shall be the long-term investment funds less all debt (bond issues and bank borrowing).

2. Intergenerational Equity is the concept that each generation of students benefits more or less equally from the endowment and the debt capacity of the institution.

Approved by the Board of Trustees February 17, 2001
Responsible Committee: Budget and Finance Committee
Millikin University Pledge Policy

Pledge Definitions

A pledge is a commitment to give a specific dollar amount to one or more of Millikin University’s designated funds within a specified period of time, usually over a span of years. A pledge is considered “booked” by the Alumni & Development Center (ADC) staff when it has been entered into Banner.

Pledge Levels

Pledges to MU fall into one of three categories, with differing requirements:
- Major pledges – pledges with a present value of $10,000 or more
- Intermediate pledges – pledges with a present value of at least $1,000 and less than $10,000
- Minor pledges – pledges with a present value less than $1,000 or those booked via telefund programs or other mass communication channels

Pledge Requirements

The Alumni & Development Center at Millikin University requires the following criteria to substantiate a pledge:

Major pledges

1. The present value of the pledge must be clearly specified.
2. A specific use for the pledged gift must be identified. This use may also specify that the gift will be unrestricted.
3. A payment schedule or a specified end date must be clearly defined, not to exceed 5 years.
4. The donor must sign a written pledge agreement detailing the above.

Intermediate pledges

1. The present value of the pledge must be clearly specified.
2. A specific use for the pledged gift must be identified. This use may also specify that the gift will be unrestricted.
3. A payment schedule or a specified end date must be clearly defined, not to exceed 5 years.
4. A signed pledge agreement or an email from the donor provides sufficient documentation.

Minor pledges

1. The present value of the pledge must be clearly specified.
2. A specific use for the pledged gift must be identified. This use may also specify that the gift will be unrestricted.

3. The payment schedule is understood to be within 90 days of booking or before the end of Millikin’s fiscal year (June 30), whichever comes first, but need not be specified.

Revocable Pledges

Revocable pledges, particularly but not exclusively estate pledges, may be made by donors. Millikin will book such pledges at their present value at the time of booking. These pledges will be clearly marked as revocable and will be reported separately.

Pledges Carried on Millikin’s Books

Millikin carries booked pledges that meet the following criteria:

1. Carried pledges must be irrevocable.
2. Carried pledges must have a defined monetary value and defined payment schedule/date. Pledges as indicated to be paid by non-cash, for example stock or real estate, will not be carried. However, booked pledges can be paid with gifts of stock, as long as the stock value at the time of the payment fulfills the dollar amount of the pledge, or if not, a cash payment is made in addition to the stock payment.
3. Estate pledges will not be carried on Millikin’s books; however, we will book such pledges according to their accompanying documentation. These pledges will be clearly marked and will be reported separately.
4. Carried pledges must have a value of at least $10,000.
5. Carried pledges have been scheduled by the donor to be paid over more than one fiscal year.

Pledges in Arrears

A pledge will be considered in arrears if it meets the criteria below. Pledges in arrears shall be written off the University’s books and marked as void by the ADC and not counted or reported as part of successful fundraising efforts. Criteria include:

Major and Intermediate pledges

1. Not paid after 5 years from the booking date
2. No payment for more than 2 years

Minor pledges

1. Not paid after 90 days from the time of booking or after the end of the fiscal year (June 30), whichever comes first.
MILLIKIN UNIVERSITY GIFT POLICIES

I. Background and Purpose

The Millikin University Development mission is to interpret the University to the widest possible audience of alumni, parents and friends for the purpose of increasing understanding and financial support.

These policies are intended to guide the staff of the Alumni and Development Division, other administrative staff and faculty, members of the Board and other volunteers as financial support is sought and acquired.

We support the Council for the Advancement and Support of Education (CASE) Statement of Ethics for all those who seek financial support on behalf of the University:

Institutional advancement professionals by virtue of their responsibilities within the academic community, represent their colleges, universities, and schools to the larger society. They have, therefore, a special duty to exemplify the best qualities of their institutions and to observe the highest standards of personal and professional conduct.

In doing so, they promote the merits of their institutions and of education generally, without disparaging other institutions;

Their words and actions embody respect of truth, fairness, free inquiry, and the opinions of others;

They respect all individuals without regard to race, color, marital status, sex, sexual orientation, creed, ethnic or national identity, handicap or age;

They uphold the professional reputation of other advancement officers, and give credit for ideas, words, or images originated by others;

They safeguard privacy rights and confidential information;

They do not grant or accept favors for personal gain, nor do they solicit or accept favors for their institutions where a higher public interest would be violated;

They avoid actual or apparent conflicts of interest and, if in doubt, seek guidance from appropriate authorities;

They follow the letter and spirit of laws and regulations affecting institutional advancement;

They observe these standards and others that apply to their professions and actively encourage colleagues to join them in supporting the highest standard of conduct.
Millikin University in Decatur, Illinois, is an Illinois Not-for-Profit corporation and has been classified by the Internal Revenue Service as an organization exempt from income tax under Section 501c(3) of the Internal Revenue Code of 1954. Contributions to Millikin are deductible by donors in computing taxable income to the extent provided by Section 170 of the 1954 code. Bequests are deductible for Federal Estate Tax purposes as provided by Sections 2055 and 2106 of the 1954 code. Gifts are deductible for Federal gift tax purposes as provided by Section 2522 of the 1954 code. It is intended that the University’s gift acceptance practices serve the best interests of the University and its supporters, and do nothing to jeopardize the University’s classification as an organization to which contributions are deductible by donors.

All gifts will be processed and acknowledged by the Alumni and Development Office, which will ensure that the Business Office receives the appropriate documentation required for the annual audit. Faculty and administration will be informed at least annually that the Alumni and Development Office must process all gifts.

Beginning with the 1994 tax return, no deduction will be allowed by the IRS for charitable contributions of $250 or more unless the donor has “contemporaneous written acknowledgment” from the charity. IRC170(f)(8). For an acknowledgment to be contemporaneous, the donor must have the receipt in hand before filing his or her income tax return. If the charity has provided goods and services in exchange for the contribution, the acknowledgment must include a good faith estimate of their value. If no goods or services have been provided for the contribution, the acknowledgment must so state.

Gift acknowledgments will generally be issued within 5 working days of the University’s receipt of the gift. A gift is considered made on the “date of delivery” to the charity. If a donor mails a check or securities to the charity by U.S. mail, the date of mailing is the date of delivery. Wire transfer of stock is considered delivered, when the stock is in Millikin’s account. Other property transfer is considered completed when authorized University personnel have signed the appropriate papers to receive the property on behalf of Millikin.

Gift acknowledgment will include a description of the gift, its purpose and the date it was received. Acknowledgment letters are issued on a format determined by the Alumni and Development staff.

II. Gift Acceptance Committee

To facilitate the acceptance of gifts, staff of the University must be able to respond quickly and affirmatively when possible, to the offer of a gift by a prospective donor. This stated gift policy outlines the guidelines for general acceptance of gifts for Millikin University. However, it is recognized that because of the complexity of some gift situations, it may be necessary that a Gift Acceptance Committee consider a particular gift. Staff will bring special gift situations to the committee.

The Gift Acceptance Committee will decide about acceptance, or make an acceptance decision recommendation to the Board, for exceptions to this stated gift policy. At the request of staff, the Gift Acceptance Committee may also be asked to consider unusual or complex gifts.
Factors considered by the Gift Acceptance Committee will include marketability, potential use in the academic programs of the University, maintenance requirements, suitability for display or use, and the cost of ownership or preparation of appropriate display facilities. The Gift Acceptance Committee will be composed of the Vice President of Alumni and Development, the Vice President for Finance and Business Affairs, the President of the University, the Chairman of the Campaign Steering Committee, and the Chairman of the Investment Committee, and the Chairman of the Budget and Finance Committee.

III. Basic Policies

A. Once a gift is transferred to the University, normally it cannot be returned.

B. In all matters involving donors or prospective donors, the interests of the donor(s) shall come before those of Millikin University. No gift, agreement, trust contract or commitment shall be urged upon any donor(s) or prospective donor(s) which would benefit Millikin at the expense of the donor’s (s’) interest. No agreement shall be made between Millikin and any agency, person, company or organization on any matter, whether investment medium or investment management or otherwise, which would knowingly jeopardize the donor(s) interests.

C. The task of all Millikin personnel and volunteers shall be to inform, serve, guide or otherwise assist the donor(s) in fulfilling his or her philanthropic wishes, and in all circumstances to work with the donor(s). In keeping with this policy, all personnel employed by Millikin to administer or promote current or deferred gifts shall be paid a salary or hourly wage, and shall not receive incentive compensation which might give such personnel an interest in any agreement, and any personal gain as a result of a relationship shall become the property of Millikin University. Millikin University will not pay any fee to any person or organization as consideration for directing a gift to the University without informing the Campaign Steering Committee.

D. All information concerning donors or prospective donors, including their names, names of their beneficiaries, the amounts of gifts, size of estates, etc., shall be kept strictly confidential by the University and its personnel and volunteers, unless permission is obtained from the donor(s) to release such information. Donor information files are the property of the University and stay in University Development Offices and are viewed only on a need to know basis. University employees who violate this policy shall be subject to dismissal.

E. Millikin shall seek the advice of legal and gift counsel in matters pertaining to its current and deferred gift program (investment giving program), and the instruments used, whenever it is deemed appropriate by the Vice President for University Development. Likewise, all prospective donors shall be advised to seek the advice of their legal and/or tax counsel in any and all aspects of their proposed gifts whether by outright gift,
bequest, trust agreement, contract or other form. Donors shall particularly be advised to consult their attorney or advisor on matters related to the tax liability of a gift and matters related to estate planning. Additionally, we recommend seeking the counsel of accountants, trust officers, financial planners, stockbrokers and other professionals as necessary. Employees and volunteers of Millikin University will not give specific tax advice to a donor(s) from which the donor is expected to act. Such information shall be provided for illustration purposes only and so state.

F. Millikin University will cooperate with the Internal Revenue Service in all matters related to their investigation of charitable gift deductions claimed by donors. Donors of gifts of properties will be notified of their obligation to obtain a qualified appraisal and to complete Form 8283 when it is required because of the value of the gift, and they will be notified of Millikin’s obligation to report to the IRS the proceeds from the sale of the property on Form 8283 if it is sold within three years of the date of the gift.

IV. Millikin University accepts the following kinds of outright gifts:

A. Cash

An outright gift made with cash, check, credit card, EFT or ACH transfer, etc. will be accepted by the staff of the Alumni and Development Office routinely as a part of the gift receipting process. Checks and stock certificates should be made payable to Millikin University. A gift that is unusual because of the amount, donor, timing, instructions or conditions accompanying the gift, or any other characteristic of the gift or donor will be brought to the attention of the Vice President of Alumni and Development, the Director of Major Gifts, or the Director of Development who will consult with the Gift Acceptance Committee about appropriate acceptance when necessary.

According to IRS regulations as of October 1, 2009, cash gifts are normally deductible up to 50% of the donor’s (s’) adjusted gross income in the year of the gift, plus a carry forward of five years which may be limited by additional gifts made by the taxpayer within that five year period. Specific Congressional actions may from time to time affect this deductibility limit and/or carry forward period.

B. Publicly Traded Securities

The staff of the Alumni and Development Office will generally accept an outright gift made with securities. In some cases, review with the Vice President for Finance and Business Affairs may be necessary. Gifts of securities, for which a quotation appears in the Wall Street Journal or the WSJ on-line and that can be sold, will be accepted and valued at the average of the high and low prices quoted for the day the securities are received (see date of gift section.) According to IRS regulations, responsibility for assigning value for the donor’s tax purposes will be the responsibility of the donor.
Gifts of securities will generally be sold when received. Gifts of listed securities that are not readily marketable will be accepted only after consultation with the Gift Acceptance Committee.

According the IRS regulations as of October 1, 2009, gifts of listed securities are deductible up to 30% of the donor’s (s’) adjusted gross income in the year of the gift, plus a five-year carry forward which may be limited by additional gifts made by the taxpayer within that five year period. Specific Congressional actions may from time to time affect this deductibility limit and/or carry forward period.

C. Unregistered Securities

An outright gift of securities for which no published market value quotation is available will be accepted only after consultation with the Gift Acceptance Committee and review by tax counsel who will help determine the value to be recorded for the gift, in writing. The Vice President for Finance and Business Affairs will determine the timing of the sale of this kind of gift. It is the intent of Millikin University to liquidate such holdings by first offering the stock received to the issuing company; secondly, to current shareholders, and thirdly, to the public at large. Any exception to this policy will be referred to the Gift Acceptance Committee for approval. Donors are advised to consult with their own tax counsel as to the deductibility of such gifts.

D. Tangible Personal Property and Gifts-in-Kind

Outright gifts of tangible personal property, including gifts-in-kind, can be valuable to the University and will be generally accepted as long as they are central to Millikin's mission and purpose. In some cases such gifts will be accepted only after consultation with the Gift Acceptance Committee.

According to IRS regulations, the University may not assign monetary value. Securing appraised value shall be the donor’s (s’) responsibility. The University will acknowledge value according to the qualified appraisal provided by and paid for by the donor. In some cases a second appraisal may be required by Millikin for which the University will pay.

The University will attempt to notify the donor in advance of the gift as to its intended use, or in the gift acknowledgment letter. Donors are advised to consult with their own tax advisor as to the deductibility of such gifts.

E. Real Property

An outright gift of real property will be generally accepted as long as it serves the University's mission and purpose. Property will be inspected to determine its marketability or potential for uses by the University in its best interest. Exceptions will be brought to the attention of the Gift Acceptance Committee.
The University will generally not be inclined to receive real estate encumbered by mortgage or other encumbrances. All such gift offers will be brought to the Gift Acceptance Committee for their approval or decline.

Securing and paying for a qualified appraisal shall be the responsibility of the donor(s). In some cases a second appraisal may be required for which Millikin will pay. Real property will be inspected to determine the extent of potential environmental liability. Some gifts of real estate may also require an environmental appraisal for which the donor will pay.

According to IRS regulations as of October 1, 2009, gifts of real estate are generally deductible up to 30% of the donor’s (s’) adjusted gross income. (see Section III.F., p.4) Specific Congressional actions may from time to time affect this deductibility limit and/or carry forward period.

The Board must approve the sale of any real property.

F. Donor Advised Funds

The Internal Revenue Service continues to closely scrutinize these cases, especially their public charity status under IRC 509(a)(1) and 170(b)(1)(A)(vi). Since Millikin University is currently receiving charitable gifts via DAFs, Development staff felt it should be addressed in the institution’s gift acceptance policy.

Typically, a donor will make a contribution to a DAF and receive an immediate charitable gift deduction. In years following the year in which the gift was made, the donor will “advise” the DAF to annually distribute certain amounts (currently, 5% of the principal must be distributed annually) of the account balance to various qualified charitable organizations. Since the donor has already received a charitable gift deduction, IRS clearly states that no additional charitable gift deduction will be allowed in the following years, and no further charitable gift acknowledgement is necessary or shall be issued.

In addition, qualified charities may not offer credit for personal pledges when payment is made by a DAF in the name of the donor who has made the pledge. This is because, in the view of IRS, the DAF is the actual donor - not the individual. Therefore, Development staff recommend that a policy be instituted prohibiting the posting of DAF payments to personal pledges. In the event that a DAF is “advised” to make a gift to Millikin University as payment on a personal pledge, Development staff will void the personal pledge and receipt the gift as having come from the DAF.

Of course, university recognition of charitable giving is another matter, and Development staff may feel free to record “soft credit” to an individual donor when, indeed, a gift has come from a DAF in the name of that individual donor. A letter of thanks shall be written to the individual donor, for “advising” the fund to make the distribution, but no charitable gift substantiation shall accompany such a letter. In addition, the individual donor may also be recognized in the university’s Honor Roll of Donors at the level of the DAF distribution.
because the Honor Roll is a recognition vehicle only, and no charitable gift substantiation may be derived from being listed therein.

V. Millikin University Investment Giving Opportunities (life income gifts):

Life income gifts include charitable gift annuities and charitable remainder trusts. The University will seek to be included in the planning of such gifts with donors and their advisors whenever possible. Life income gifts funded with cash or marketable listed securities will be accepted, except in the case of charitable gift annuities, which will be funded with cash only.

For life income gifts the donor(s) transfers cash or securities to Millikin University in exchange for lifetime income payments. The donor generally receives a charitable tax deduction for the gift. The Donor will receive a 1099R annually. The interval of payments will be monthly, quarterly, semi-annually or annually. Direct deposit of payments is available. The type of income agreement used determines the income payment. At the death of the last income recipient, Millikin University shall use the remaining corpus as the life income agreement indicates.

The University will issue the following type of life income agreements:

A. Charitable Gift Annuity

The Charitable Gift Annuity is a life income agreement designed for the persons age 65 and older who are contractually guaranteed income for life while making a charitable gift to Millikin. No gift annuity shall be issued for less than a $10,000 value or greater than $1,000,000. The Gift Acceptance Committee must address any exceptions.

Millikin partners with an external, qualified financial institution to administer its charitable gift annuity program. The assets donated by the donor are invested with an external, qualified financial institution in a prudent and disciplined manner designed to generate sufficient capital through interest, dividends, and capital appreciation, and achieve growth of the total asset value at a rate greater than inflation. Millikin’s development officers will advise potential donors of its arrangement with the financial institution prior to executing a gift agreement for a charitable gift annuity.

Gift annuity rates shall not be greater than those approved by the American Council on Gift Annuities, and may be less. Current rates are available upon request.

Gift annuity agreements shall not be issued for more than two lives. The life of the primary beneficiary shall be 65 years of age or older; the younger shall not be under the age of 60. When the second beneficiary is not a spouse, the donor(s) will be alerted to consult with their professional advisors on the possibility of tax consequences.

Charitable Gift Annuity Proposals will include the following disclosure statement:
Gift Annuity Disclosure Statement

Description of a Gift Annuity
A gift annuity is a simple contract between the donor(s) and Millikin University (hereinafter "Millikin"). In exchange for the donor's(s') contribution, Millikin promises to make fixed, guaranteed payments for life to one or two annuitants (usually, but not necessarily, the donor(s)). The amount paid is based on the age of the annuitant(s), in accordance with Millikin's rate schedule.

Not a Commercial Investment
The act of establishing a gift annuity with Millikin is not, and should not be viewed as, an investment. Rather, it is a way to receive annuity payments while making a charitable donation. In this respect, a gift annuity issued by Millikin is different from a commercial annuity. However, the fact that you are making a charitable gift may provide you with tax benefits, which may include a current federal income tax charitable deduction (if you itemize your deductions), annuity payments which are partially tax-free, and future estate tax savings.

Gift Annuity Rates
Generally, the gift annuity rates paid by Millikin are those published by the American Council on Gift Annuities, which is a national organization of charities that has been in existence since 1927. These rates have been calculated so as to provide attractive payments to the donor and/or other annuitant(s) and also to result in a significant portion of the contribution remaining for the charity. Because a charitable gift is involved, the rates are lower than those available through commercial annuities offered by insurance companies and other financial institutions.

Assets Backing Annuity
The annuity payments are a general obligation of Millikin, and they are backed by all of our assets (subject to security interests). On <Valuation Date> our total invested funds exceeded $0, and they are invested in <Types of Investments>. Assets received by Millikin for gift annuities are managed by an external qualified financial institution, in a conservative and disciplined manner. If Millikin should ever fail financially, individuals entitled to receive annuities will qualify as general creditors of Millikin.

Responsibility for governing Millikin, which was established in 1901, is vested in a Board comprised of <Number on Board> persons, who are <Board Selection Method>. Common investment funds managed by our organization are exempt from registration requirements of the federal securities laws, pursuant to the exemption for collective investment funds and similar funds maintained by charitable organizations under the Philanthropy Protection Act of 1995 (P.L. 104-62). Information in this letter is provided to you in accordance with the requirements of that Act.
Points to Remember

-A contribution for a gift annuity is irrevocable. The principal you contribute cannot be returned.

-The right to annuity payments may not be assigned to any person or organization, other than Millikin.

-The gift date is the date when you actually transfer assets. In the case of cash, it is the date you mail or deliver a check.

-The gift annuity is governed by applicable state laws.

For More Information
This disclosure statement is intended to provide basic information regarding the gift annuities issued by Millikin. If you have additional questions concerning Millikin's gift annuity program, please call or write <Name and Address for Gift Annuity Program Contact>.

Proposals will also include reminders to donors and their advisors of the deductibility rules for appreciated property and the rule for gifts of cash.

Millikin University will be properly registered according to the law in those states where we issue Charitable Gift Annuities. Upon the advice of legal counsel, the University will no longer issue annuities in the following states: Alabama, Arkansas, California, Florida, Georgia, Hawaii, Maryland, Montana, New Hampshire, New Jersey, New York, North Dakota, Oklahoma, Tennessee, and Washington.

B. Charitable Remainder Annuity Trust

The Charitable Remainder Annuity Trust is a life income agreement designed for the person who wants guaranteed fixed income payments and freedom from investment responsibilities, with the ultimate intent of providing a charitable gift to Millikin University and/or other charitable organizations.

According to IRS regulations as of October 1, 2009 a minimum return of five percent (5%) of the initial fair market value of the transferred property is required. Donors may elect a higher rate. Whenever possible, the University will endeavor to participate with donor(s) and their advisors in the establishment of the trust and the setting of the guaranteed rate of return.

Millikin University corporate by-laws do not allow the University to serve as trustee. In cases where we are named trustee through testamentary action, we will work with legal counsel to change that designation. Since Millikin cannot serve as trustee, we recommend that donors either name themselves as trustee and/or establish trusteeship with the financial institution or another individual of their choice.
We will work with donors to establish such trusteeship, provide calculations and sources of sample wording for trust documents. In cases where advisors are retained by Millikin to prepare documents or render advice in any form to Millikin and/or a donor to Millikin, it shall be disclosed to the donor that the professional involved has been employed by Millikin and is not acting on behalf of the donor, and that any documents or other advice rendered in the course of the relationship between Millikin and the donor should be reviewed by the donor’s (s’) counsel prior to completion of the gift.

The donor(s) will generally pay for tax return preparation, document preparation and donor(s)’s counsel fees.

No additional contributions may be made to an annuity trust beyond the original transfer of assets.

We recommend that annuity trusts be established minimally at $100,000.

C. Charitable Remainder Unitrust

The Charitable Remainder Unitrust is a life income agreement designed for the person who wants a lifetime income that is based upon a percentage of the annual earnings of the trust and revalued annually with the donor being free from investment responsibilities and with the ultimate intent of providing a charitable gift to Millikin University and/or other charitable organizations.

According to IRS regulations as of October 1, 2009, a minimum return of five percent (5%) of the initial fair market value of the transferred property is required. The unitrust is revalued annually, usually in early January, to determine the payout rate for that calendar year. The 1997 Tax Act requires that payout rates be set at a level that allows at least 10% of the value of the trust to remain for the charity after all beneficiaries are deceased. Whenever possible, the University will endeavor to participate with donor(s) and their advisors in the establishment of the trust.

As with annuity trusts, the same stipulations regarding trusteeship, services we will provide, the preparation of documents and the responsibility for fees incurred apply for unitrusts. (see Section V.C., page 10, paragraph 3,4,5)

Additional property or funds can be added to a unitrust after it has been created. We recommend the same funding levels as with annuity trusts.

General policies regarding life income gifts:

All funds from all life income agreements shall be generally fully invested during the lifetime of the donor or surviving beneficiaries. No fund shall be used in the programs of the University during the lifetime of the donor or surviving beneficiaries.
At the death of the donor, or upon the death of both the donor and another named person when
another named person is so named by the donor, the property comes under the control of the
University. If funds are already held by the University, they shall be applied to the original
purpose indicated by the donor in the life income agreement.

The University follows the reporting standards for the Council for the Advancement and Support
of Education.

D. Charitable Remainder Unitrust

The Charitable Remainder Unitrust is a life income agreement designed for the person who
wants a lifetime income that is based upon a percentage of the annual earnings of the trust and
revalued annually with the donor being free from investment responsibilities and with the
ultimate intent of providing a charitable gift to Millikin University and/or other charitable
organizations.

According to IRS regulations as of October 1, 2009, a minimum return of five percent (5%) of
the initial fair market value of the transferred property is required. The unitrust is revalued
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Tax Act requires that payout rates be set at a level that allows at least 10% of the value of the
trust to remain for the charity after all beneficiaries are deceased. Whenever possible, the
University will endeavor to participate with donor(s) and their advisors in the establishment of
the trust.

As with annuity trusts, the same stipulations regarding trusteeship, services we will provide, the
preparation of documents and the responsibility for fees incurred apply for unitrusts. (see Section
V.C., page 10, paragraph 3,4,5)

Additional property or funds can be added to a unitrust after it has been created. We recommend
the same funding levels as with annuity trusts.

E. Pooled Income Fund

The Pooled Income Fund is a pool of funds from several donors that operates like a mutual fund.
Donor investments purchase units, and income is distributed proportionately to the total number
of units in the fund. Income earned by the fund is paid to the donor quarterly.

A minimum gift of $10,000 is required for a pooled income fund investment. Additional gifts of
at least $5,000 can be invested in the pooled income fund and will purchase units based on the
unit market value at the time of the investment.

General policies regarding life income gifts:

All funds from all life income agreements shall be generally fully invested during the lifetime of
the donor or surviving beneficiaries. No fund shall be used in the programs of the University
during the lifetime of the donor or surviving beneficiaries.
At the death of the donor, or upon the death of both the donor and another named person when another named person is so named by the donor, the property comes under the control of the University. If funds are already held by the University, they shall be applied to the original purpose indicated by the donor in the life income agreement.

The University follows the reporting standards for the Council for the Advancement and Support of Education.

VI. Millikin University accepts the following type of estate planning gifts:

A. Life Estate Gifts

A life estate gift is a gift of property to the University in which the donor retains the right to use the property during the remainder of the donor’s life and, if desired by the donor, another person’s life.

At the death of the donor and the other person, the property comes under the control of the University.

Life estate gifts will not be encouraged if the property is the donor’s principal asset because if the property must be sold to generate funds to live from, the donor does not receive the proceeds from the sale. The obligations of the donor and the University with respect to maintenance, taxes, insurance and other costs must be specified in a gift agreement.

Life estate gifts will be accepted upon recommendation of the Gift Acceptance Committee. The University will inspect life estate gifts of real estate to determine the extent of potential environmental liability, and to determine marketability or potential for use. A life estate gift will be valued according to a qualified appraisal obtained and paid for by the donor. The amount of the donor(s)’s contribution shall be determined by applicable IRA regulations.

B. Bequests

Whenever possible, the University will seek to be involved with donors and their advisors in the planning of bequests. Cash and easily marketable securities will be encouraged. A donor who wants to specify a property bequest will be informed of the acceptance policy for gifts of property.

Property bequests will be evaluated for acceptance and valuation in the same manner as outright gifts of property, according to the kind of property bequeathed. If it is determined that the bequeathed property should not be accepted, the University will initiate legal proceedings to refuse the bequest.

In all cases when a bequest is accepted and received by the University, we are obligated by law to follow the donor’s wishes as designated by the will.
C. Gifts of Life Insurance

Generally, Millikin University will accept a gift of an existing life insurance policy. In the event that such a gift is accepted, Millikin University must be named as the beneficiary, and preferably owner as well.

In cases where Millikin is named owner and beneficiary, the transaction will be considered a contribution, and therefore, tax deductible. Millikin will not accept a gift of life insurance without receiving an in-force ledger. The University will not accept a life insurance policy with a loan against it or if a policy is in a loan situation.

Millikin will not initiate the purchase of insurance on a donor’s life.

Donors may choose to purchase new life insurance policies and name Millikin as owner and beneficiary. In such situations, it is advantageous for the donor to make gifts to Millikin for payment of the premiums. Gifts used to pay premiums on life insurance will be valued at the amount of the premium and will be accepted and acknowledged in the same way as outright gifts of cash.

Gifts of paid-up whole or universal life insurance policies will be valued at the cash surrender value of the policy at the time of the gift. Millikin University reserves the right to surrender the policy at any time. Gifts of existing whole or universal life policies will be accepted upon agreement with donor to continue premium payments and make the University owner and beneficiary.

VII. Designation of Gifts

A. Unrestricted Gifts

Unless otherwise designated by the donor, a gift shall be considered unrestricted and classified for appropriate unrestricted use by the University. If there is any question about the donor’s (s’) intent, every reasonable effort will be made to contact the donor to determine her/his intentions.

B. Restricted Gifts

Donors may restrict the use of a gift in two ways:

1. Gift is expendable for a specified purpose until it is totally spent.

2. Gift is not expendable but is intended for endowment. Endowment fund gifts will be accounted for in a sub-account identified with the donor’s (s’) name or a name designated by the donor.
a. Distributions, according to endowment distribution policy, are expendable for any purpose.

b. Distributions, according to endowment distribution policy, are expendable for a specific purpose.

The residual of life income gifts, remaining after the death of the last beneficiary, may be unrestricted or restricted in one of the ways listed above. Restrictions placed on such a gift by the donor(s) at the time of the contribution shall be irrevocable and documented in the gift agreement.

Gift agreements shall be written for all scholarships, award programs, endowment gifts, etc. and signed by the donor and the Vice President for Alumni and Development on behalf of the University.

Endowed Scholarships

Income from an endowment that is restricted for use as a scholarship will be awarded as a named scholarship if the amount of the principal of the scholarship is at least $10,000. Donors, family members of donors or representatives of donors of endowment that provide named scholarships will be notified annually about the students(s) who received the scholarship. Every effort will be made to personally introduce the student(s) recipients to the donor(s) or their representative. Named scholarships will be recognized on the Scholarship Wall outside the President’s Office in Shilling Hall and in other ways as appropriate. Permission for publicity about the scholarship will be obtained from the donor(s).

Other Endowed Funds

Donors of endowed funds restricted for use other than scholarships will be notified annually of the distribution and use of the income from the fund. Such reports will be made after the close of the fiscal year.

Approved May 20, 2006
Revised February 27, 2010

Responsible Committee: Campaign Steering Committee
MILLIKIN UNIVERSITY NAMING GIFT POLICY

Millikin University intends to recognize significant benefaction by the appropriate naming of spaces, programs, facilities, chairs, professorships, departments or other segments of the University. These policies shall govern solicitations and gifts to the University from this date forward.

1. **New or Renovated Construction**

   A. Buildings or facilities may be named for a donor(s) upon the receipt of at least 51% of the total cost of construction and equipment or 51% of the cost of renovation and equipment. It shall be understood that no project will be undertaken until the full cost is in hand or in the form of an irrevocable pledge. Every reasonable effort will be made to complete a project during the donor’s(s’) lifetime.

   B. Portions of new or renovated buildings such as classrooms, hallways, display areas, offices, studios, auditoriums, halls, etc. may be named for a donor(s) upon receipt of 51% of the total cost of construction and equipment or 51% of the cost of renovation and equipment. It shall be understood that either the completed gift or an irrevocable pledge must be in the possession of Millikin University for the naming to occur.

   C. Staff and volunteers should always request the full cost of funding a program, room or facility when working with donors. However, in the event that funding the full cost is not feasible for a prospective donor, staff may negotiate to 51% of the cost and still offer the naming opportunity.

   D. Exceptions to the above stated policy may occur only when conditions exist that indicate waiving the policy is to be considered in recognition of cumulative giving to the institution where the donor has not elected to name any particular project that has been supported by the specific cumulative philanthropy. For example, a long-standing donor organization may have elected not to exercise naming rights in past projects but requests to be able to name a space within a current project with no concomitant commitment of at least 51% of the cost of the project in question. Such requests may be considered on a case-by-case basis and it is not expected that such requests will be made very often.

2. **Faculty Positions**

   A faculty position may be named for a donor when the following minimum conditions are met:

   A. Endowed chair: total gift of $1.5 million
   B. Endowed professorship: total gift of $1 million
   C. Endowed visiting lecturer: total gift of $750,000
   D. Endowed artist-in-residence: $1.0 million
   E. Endowed deanship: total gift of $2.5 million
F. Endowed department: total gift equals the amount to endow each position at the professorship level. For example, a department with five faculty members may be named for a donor with an endowment gift of $5,000,000.

The appropriate gift level for the endowment of faculty positions will be reviewed periodically to ensure that current endowment yield of the gift principal amount will support future named positions.

3. Programs

Programs and other segments of the University may carry donor designed naming under the following conditions, and according to the prevailing endowment spending policy of the board.

A. Endowed School or College: total gift equals the annual earnings necessary to provide at least 51% of funds necessary to operate the school or college annually.

B. Endowed presidency: total gift equals the annual earnings necessary to provide at least 51% of funds necessary to support the operations of the president’s office annually.

C. Endowed program: total gift equals the earnings necessary to provide at least 51% of funds necessary to operate the program annually.

4. Campus Spaces or Rooms

Campus spaces, hallways, wings, plazas, rooms, sections of buildings, etc. not covered under new or renovated spaces and not previously named with a donor’s name are available for donor recognition. Generally a gift that provides 51% of the replacement value of the space to be named shall be given by the donor as an endowment.

5. Previously Named Facilities or Spaces

Previously named facilities or spaces will retain the original name, as well as the name of the new donor(s) in an appropriate form.

6. Removal or Relocation of Facilities or Spaces

A. In the event that facilities or spaces are removed, which were previously named, a suitable plaque shall be placed as near to the former structure/location as appropriate, indicating the previous benefaction.

B. In cases where feasible, a plaque indicating previous benefaction will be moved with relocated facilities or spaces. In the event that a new donor(s) has provided a gift or irrevocable pledge supporting the relocation, the policy for previously named facilities or spaces will apply.
7. Scholarships and Awards

A. **Endowed Scholarships:**

Income from an endowment that is restricted for use as a scholarship will be awarded as a named scholarship if the amount of the principal of the scholarship is at least $10,000. Donors, family members of donors or representatives of donors of endowment that provide named scholarships will be notified annually about the student(s) who received the scholarship. Every effort will be made to personally introduce the student(s) recipients to the donor(s) or their representative. Named scholarships will be recognized on the Scholarship Wall outside the President’s Office in Shilling Hall and in other ways as appropriate. Permission for publicity about the scholarship will be obtained from the donor(s).

B. **Non-Endowed Named Scholarships:**

When a potential donor asks for such consideration, a scholarship may be named if the donor’s intent is to provide substantial annual funding to be distributed to deserving students at Millikin University. For example, if a donor wishes to name a scholarship and fund it at a level of $10,000 annually for a period of years, then the Alumni & Development staff may offer naming rights to the scholarship to the donor. A new account will be established bearing a name approved by the donor. The funds will be distributed according to the donor’s wishes until such funds are exhausted.

C. **Endowed Awards:**

Income from an endowment that is restricted for use as an award will be awarded as a named award if the amount of the principal of the award is at least $5000. Per the Council on Scholarship and Academic Standards, awards should be endowed so as to provide a reliable stream of annual income for distribution to deserving students according to the terms outlined in the award. Commitments made year-to-year are to be discouraged.

D. **Other Endowed Funds**

Donors of endowed funds restricted for use other than scholarships will be notified annually of the distribution and use of the income from the fund. Such reports will be made after the close of the fiscal year.

8. Projects that do not fall into the above descriptions will be named and recognized on a case by case basis with approval by the Board, upon recommendation of the Campaign Steering Committee.
9. **Cumulative Giving**

Cumulative giving at Millikin University (giving over a number of years) is recognized by the University on the Wall of Philanthropy in Kirkland Fine Arts Center. Those who have given $50,000 over the years are in the Cum Laude category; $100,000 and above, Magna Cum Laude; and $500,000 and above, Summa Cum Laude. Matching gifts received by Millikin as a result of a donor’s generosity count toward these totals. Cumulative giving does not count toward the parameters for naming opportunities in current campaigns.

*Approved February 27, 2010*
*Amended and Approved May 18, 2013*
*Responsible Committee: Campaign Steering Committee*
POLICY ON PLANTINGS
OF MEMORIAL TREES, SHRUBS AND OTHER LANDSCAPING

Millikin University gratefully accepts gifts for the planting of trees, shrubs, and other landscaping materials on its campus as memorial or honoring gifts for students, alumni, faculty, friends and others. Benches and/or outdoor seating groups are also a suitable gift within the campus master landscaping plan.

The following guidelines shall govern such gifts:

1. All plantings shall be in accordance with the University’s campus master plan standards for plantings and benches and/or outdoor seating groups. Millikin reserves the right to placement. All plantings shall be maintained in the same manner as Facility Services maintains the campus grounds. The Alumni & Development Office shall determine the minimum required gift amount for trees, shrubs and other living plants as well as suitable benches and/or outdoor seating groups. This will be evaluated and updated as necessary to reflect current costs of such items as well as related materials and labor for their installation.

2. The Facility Services Office shall maintain a list of approved trees, shrubs, other living plants and benches and/or outdoor seating options and their related naming costs that the Development Office can share with interested donors. Donors may request specific plantings but the final decision on their use and placement remains with the University in accordance with its campus master plan.

3. Following planting or installation, Facility Services personnel, according to University practices and policy, will maintain all trees, shrubbery and other living plants and benches or outdoor seating groups. All sponsored trees shall have a one-year guarantee, provided by the vendor, from time of planting. If a memorial tree dies within the one-year period, it shall be replaced with a similar tree at the vendor’s expense. In the event that a tree planting dies following this time period, the Development Office will inform the living donor(s) and discuss options and substitution of original planting at the expense of the donor. Such notification will be provided for a term of up to five (5) years following the date of planting. If the plantings, benches, naming plaques are damaged or destroyed by natural occurrences, commonly known as “acts of God,” which are beyond the reasonable control of the University, are not guaranteed and will be removed and/or replaced at the discretion of the University, or replaced at donor(s) expense.

4. Donors acknowledge that all trees, shrubbery, other living plants and gardens are living things with a limited life span. They are subject to natural disturbances, disasters, vandalism, and “acts of God.” In addition, due to budgetary limitations, the university’s ability to care for and protect such items on campus may be limited. For these and other reasons, donors acknowledge that there may be conditions that threaten such plantings, objects or areas that are beyond University control. In the event that a planting or bench must be moved from its original location within a term of the following five (5) years, it will be moved at the expense of the University and the Development Office will so inform the living donor(s).
5. When funding the naming/memorial gift, the donor(s) shall provide the full cost of all plantings, benches and/or outdoor seating groups, the naming/recognition plaque/marker plus a maintenance fee equal to 20% of the inclusive cost of purchase, planting and the plaque/marker. The Alumni & Development Office will collaborate with the donor(s) to secure appropriate language for the recognition plaque.

6. The size and style of the recognition plaque/marker shall be selected by the University and will be of similar design to other plaques/markers utilized within campus. The Development Office reserves the right to review and approve all submitted names and messages. University sign standards may evolve over time, and the Development Office reserves the right to change or alter signage, including donor recognition, at any time. Markers that are damaged or destroyed will be repaired or replaced at the donor’s option and expense.

7. Heritage trees are existing campus trees that are large and stately. Adoption of a Heritage tree (with a name plaque identifying the tree and honoring the donor or loved one) is a sponsorship that exists for the life of that tree. The Physical Plant Office will make every effort to give these trees the best of care, but their life span cannot be guaranteed. A list of Heritage trees available for adoption can be obtained from the Development Office. Funds contributed to a Heritage tree sponsorship will be added to the Campus Landscaping Endowment Fund. Revenue from this endowment fund shall be used to help underwrite general campus landscaping expenses and shall be used at the discretion of the Director of Facility Services.

8. A signed and dated copy of this policy indicates the donor(s) understanding and acceptance of the same.

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<th>Address</th>
<th>City, State and Zip</th>
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</table>

| Daytime Phone with Area Code | E-Mail Address |
Board Inventory Procedure

Board members are expected to bring time, talent, and treasure to their position as trustees. We understand that different individuals will bring different combinations of these three attributes.

In order to best guide a diverse institution, the Board of Trustees should be a diverse group of individuals, representing a broad range of backgrounds and experiences. In order to maintain a diverse board, we may need to relax some requirements in order to achieve others (i.e. relax financial expectations to achieve youthful insight).

Following are attributes we consider when exploring trustee candidates. In discussing each attribute, we indicate our current view of the balance we believe to be desirable. We also provide our current inclination to relax time, talent, or treasure requirements in order to achieve the appropriate representation for that attribute. The Committee on Governance will reconsider these evaluations on a regular basis.

**Millikin Alumni** – to ensure that the board feels a close affinity with the institution, we feel 1/2 to 2/3 of our trustees should be Millikin alumni. We can achieve an appropriate balance of alumni and non-alumni without setting lower expectations on a trustee’s contribution of time, talent and treasure.

**Age Diversity** – we would like to have a broad age distribution of trustees. Because older individuals (in our age categories of 50’s, 60-65, and 66+) may have more of the time and treasure we seek, they will perhaps represent our larger contingent. We are willing to consider lower expectations with regard to financial contribution for 1 or 2 trustee candidates, in order to increase representation in the younger categories (20’s, 30’s, and 40’s).

**Gender Diversity** – while we have not established specific quotas, we should have a significant number of each gender (more than just 1 or 2). We can achieve gender diversity without setting lower expectations on a trustee’s contribution of time, talent and treasure.

**Racial/Ethnic Diversity** – while we have not established specific quotas, we should reflect the general population and especially Millikin’s population in our racial/ethnic diversity. Because of our lack of racial/ethnic diversity, we are willing to consider lower expectations with regard to financial contribution, in order to increase representation in categories other than Caucasian.

**Geographic Diversity** – to ensure adequate on-site governance, we would like to have 1/2 to 2/3 of our trustees be relatively local (Decatur and other locations in Illinois). We can achieve geographic diversity without setting lower expectations on a trustee’s contribution of time, talent and treasure.

**Occupation and Skill Diversity** – a broad range of experiences and occupations will help ensure that the board can do its work in an effective manner. We can generally achieve an appropriate cross-section of skills and experience without setting lower expectations on a trustee’s contribution of time, talent and treasure. However, in order to achieve acceptable representation
in some areas (such as higher education expertise), we may be willing to adjust our financial contribution expectations.

*Adopted November 3, 2003*

*Responsible Committee: Committee on Governance*
Sample inventory of board members by attribute:

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<tr>
<th></th>
<th>board members in 2003-04</th>
<th>board members in 2004-05</th>
<th>board members in 2005-06</th>
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### Occupation and Skill Diversity

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MILLIKIN UNIVERSITY CONFLICT AND DUALITY OF INTEREST POLICY

Revised: February 28, 2013

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INTRODUCTION

Millikin University (the "University" or "Millikin") recognizes that the proper governance of Millikin depends on Trustees, officers and employees who give their valuable time for the benefit of Millikin. Due to the varied interests and backgrounds of Trustees, officers and employees who are also active in other professional and community life, their service to Millikin may result in situations involving dual interests which might be interpreted as conflicts or dualities of interest. Their valuable service should not be made impossible solely by a conflict or duality of interest.

Service by Trustees and officers require care and loyalty because it is the responsibility of the Trustees and officers to govern Millikin's business with the utmost integrity. Consistent with Illinois law, any possible conflict or duality of interest should be handled through full disclosure, together with no involvement in any deliberation or vote where that interest is involved. Since the fiduciary duties of Trustees and officers include the duty of care and loyalty, it is incumbent upon Trustees, officers and certain others to be informed of the terms of this Policy.

Millikin has maintained a long-standing "Conflicts of Interest" policy as Article XXIV of its Corporate Bylaws. Article XXIV has now been deleted from the Bylaws and is amended, restated and simplified by this revised Policy.

POLICY AND PROCEDURE

The purposes of this Policy are: (a) to assist the Trustees, officers, members of Trustee committees, Designated Employees and Designated Agents (both defined below) all of whom are "Covered Persons" (also defined below); (b) to protect the interests of the University when non-public information is provided to Covered Persons; (c) to protect the University when considering entering into a transaction that could benefit the private interest or competing interest of a Covered Person; (d) to protect Covered Persons from liability or suspicion regarding confidentiality breaches and conflicts or dualities of interest by setting standards of conduct; and (e) to comply with state and federal laws. This Policy recognizes that real and apparent Conflicts of Interest or Dualities of Interest (both defined below) sometimes occur in the ordinary course of conducting University business. Sometimes a Covered Person will owe identical, but uncompensated, duties to other charitable organizations conducting similar activities or seeking the same grants, contributions and strategic opportunities. This does not mean they are justified in breaching confidentiality standards or ignoring the implications of their conflicts or dualities. Conflicts and dualities are undesirable because they may cause, or appear to cause, Covered Persons to place their own interests or place the interests of others ahead of the University's obligations to its educational and charitable tax exempt purposes. Conflicts and dualities are also undesirable because they reflect adversely upon the persons involved and upon the institutions with which they are affiliated, regardless of the actual facts or motivations of the parties. However, the long-range best interests of the University do not require the termination of all associations with persons who may have real or apparent conflicts or dualities, as long as this Policy renders such conflicts and dualities harmless to all concerned.
A. Definitions.

- "Compensation" includes direct and indirect remuneration as well as gifts or favors (except those less than $250 per calendar year).

- "Conflict of Interest" or "Conflict" occurs when an Interested Person (defined below) has an Interest (defined below) which is disclosed as or found under this Policy to be a personal and proprietary interest to the Interested Person or his or her Family Member (defined below), and the promotion or protection of such Interest will or may cause such Interested Person to act in a manner opposed to, incompatible with, or not in the best interests of the University and its educational and charitable tax exempt purposes. Examples of Conflicts of Interest are listed in Schedule - 1.

- "Covered Person" means all persons to whom this Policy applies, including Trustees, members of Trustee committees, Designated Employees (defined below) and Designated Agents (defined below) and are all sometimes referred to as "covered fiduciaries." See B. Covered Persons below.

- "Designated Agents" are the University's bankers, auditors, attorneys and consultants who provide services in amounts in excess of $10,000.00 per calendar year.

- "Designated Employees" are: the President, Chief of Staff and Board Secretary, Vice President for Finance and Business Affairs, Vice President for Academic Affairs, Vice President for Enrollment, Vice President for Development, Director of Facility Services, University Deans, and the University's Food Service Director, Department Directors and other key employees designated by the Chief of Staff and Board Secretary.

- "Duality of Interest" or "Duality" occurs when an Interested Person has an Interest that is disclosed as or found under this Policy to be not personal or proprietary to the Interested Person or his or her Family Member, where the promotion or protection of such Interest will or may cause such Interested Person to not act exclusively in the best interests of the University and its educational and charitable tax exempt purposes. A Duality of Interest may include a competing uncompensated fiduciary obligation to another charitable institution. Examples of Dualities of Interest are listed in Schedule - 1.

- "Family Members" shall mean a Covered Person's spouse, ancestor, children, grandchildren, great-grandchildren, siblings (whether by whole or half blood, natural or adopted), and the spouses of children, grandchildren, great-grandchildren, and siblings.
• "Interested Person" shall mean any Covered Person who has a direct or indirect Interest. "Interested Persons" are sometimes referred to as "covered fiduciaries and Disqualified Persons" when the Intermediate Sanctions of Section 4958 of the Internal Revenue Code of 1986, as amended ("Section 4958") applies as described in B. Covered Persons below.

• "Interest" includes any of the following interests of a Covered Person, whether direct or indirect, through business, investment, or the business or investment interests of the Covered Person's Family Member:

(i) A ten percent (10%) ownership or investment interest in any entity with which the University has a transaction or contractual arrangement;

(ii) A compensation arrangement with the University or with any entity or individual with which the University has a transaction or contractual arrangement, in which the compensation is in excess of ten thousand dollars ($10,000) in any year;

(iii) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the University is negotiating a transaction or contractual arrangement; or

(iv) A director or officer position or other position of substantial influence with respect to an entity, charitable or otherwise, that competes with the University for grants, contributions or strategic opportunities.

• "Trustee(s)" means each member of the full Board of Trustees of the University.

An Interest is not always a Conflict or Duality of Interest. It may be too tenuous or contingent. As provided below, a person who has an Interest may have a Conflict or Duality of Interest only if, pursuant to disclosure, the Trustees determine, as herein provided, that a Conflict or Duality of Interest exists.
B. Covered Persons.

This Policy shall apply to all Covered Persons. It is the intention of the University and its Trustees to utilize this Policy to assure compliance with the Intermediate Sanctions under Section 4958. All Covered Persons are covered fiduciaries of the University and have an affirmative legal duty to act in the best interests of the University and not to put their personal or competing interests ahead of those of the University. Each of the persons identified by the University from time to time as a Covered Person shall also be deemed a Disqualified Person under Section 4958. A Disqualified Person is any person, regardless of title, who is able to materially influence the policies of the University as defined in Section 4958 and its regulations. A copy of Code Section 4958 and the regulations are on file with the University. Intermediate Sanctions are the federal excise taxes assessable against individuals under Section 4958 in cases of individuals obtaining an "excess private benefit" from a tax-exempt organization such as the University. This Policy includes a procedure for dealing with cases which might arise to avoid the imposition of Intermediate Sanction Excise Taxes by the Internal Revenue Service (the "IRS").


For every transaction between the University and any Covered Person (other than compensation or gratuities worth less than $250 per calendar year), the Covered Person/Conflict of Interest and Duality of Interest provisions of this Policy shall apply in full. In addition, the IRS Intermediate Sanctions rules shall be followed, including the obtaining of written comparability data to support the transaction with the Covered Person as being at fair market value and, overall, fair and reasonable to the University. The resolution of the Trustees approving such transactions shall contain express findings and articulation of the Trustees' desire to establish a rebuttable presumption of reasonableness, and the University shall maintain the comparability data relied upon in its files.

CONFIDENTIALITY REQUIREMENTS

No Covered Person shall disclose, transmit or publicize information which the University has a legal duty not to disclose publically and all information not known to the general public except: within the privacy of Trustee or other official meetings to other Covered Persons, or pursuant to process of law. The confidentiality requirements of this Policy shall survive the expiration of Covered Person status, so that University confidential information remains confidential as long as it is not public information. The following are examples of breaches of a Covered Person's duty of confidentiality:

1. Disclosing or sharing unpublished financial statements, budgets, minutes, agenda or other non-public Trustee meeting materials with others who are both not Covered Persons and not eligible to receive same. If the Covered Person has any doubt about whether information is confidential information, it is that person's responsibility to inquire reasonably into such matter to obtain evidence before concluding that public disclosure is allowable.
2. Quoting Trustees' comments made at Trustees' meetings or Trustee committee meetings to others.

3. Revealing votes of Trustees or vote totals from Trustees' meetings to others.

4. Disclosing to others the University's fundraising strategies or targets or discussing terms of gifts not already made public.

The Trustees shall determine University sanctions for all breaches of confidentiality. See "Breaches of Confidentiality and Violations of the Conflicts and Dualities of Interest Policy" set forth below.

**DUTY OF INTERESTED PARTY TO DISCLOSE**

Each Interested Person who has reason to believe, or is advised that he or she may have an actual, potential or apparent Conflict or Duality of Interest in regard to an action being taken or considered by the University must promptly disclose in writing the Conflict or Duality and all relevant facts regarding the Interest to the chair or vice chair of the Trustees' Committee on Governance. Upon disclosure, an Interested Person may conclude a Conflict or Duality of Interest exists. The Chair or Vice Chair shall report the disclosure to the Trustees together with committee's recommendation of whether or not a Conflict or Duality exists. The Interested Person(s) involved may be present and may speak during a discussion of the relevant facts, but shall leave the room for Trustee debate and voting. A recommendation that a Conflict or Duality may exist shall be by a simple majority vote, the Interested Person(s) involved not voting, but being counted for a quorum. Disclosure shall include whether the Interested Person believes such Interest is a Conflict or Duality of Interest. Annually a disclosure statement form shall be provided to all Covered Persons for completion and return, but disclosure is most appropriate whenever Conflicts or Dualities arise or are suspected, so Covered Persons are encouraged not to wait for the distribution of such forms if a Conflict or Duality occurs.

A. **Determining Whether a Conflict or Duality of Interest Exists.**

The Trustees shall review all Committee on Governance recommendations. In addition, all disclosed Conflicts and Dualities shall be reviewed by the Trustees as to degree of seriousness. The Interested Person(s) involved may be present and may speak during a discussion of the relevant facts, but shall leave the room for Trustee debate and voting. A Conflict or Duality may be found to exist by a simple majority vote, the Interested Person(s) involved not voting, but being counted for a quorum.
B. Procedures for Resolving the Conflict or Duality of Interest.

If a Conflict or Duality of Interest is found to exist, the following procedures shall be followed:

1. The Interested Person may provide information and input to the Trustees, as reasonably requested. Thereafter the Interested Person shall leave the meeting room for, and shall not in any way participate in, the Trustee or Trustee committee's deliberations and voting regarding the transaction under consideration.

2. If appropriate or warranted based on the facts as known, the chair or Trustee committee may appoint a person having no real or apparent Conflict or Duality of Interest with respect to the proposed transaction, or a committee, to investigate alternatives to the proposed transaction.

3. The Trustees or Trustee committee shall evaluate whether, with reasonable efforts, the University could obtain a more advantageous transaction from another person or entity under circumstances that would not give rise to a Conflict or Duality of Interest.

4. If a more advantageous transaction is not reasonably available under circumstances that would not give rise to a Conflict or Duality of Interest, the Trustees or Trustee committee shall determine by a majority vote of the disinterested Trustees whether the transaction is in the University's best interest and in furtherance of its obligations to its educational and charitable tax exempt, purposes, and shall make its decision as to whether to enter into the transaction in conformity with such determination.

5. An Interested Person having a Conflict or Duality of Interest with respect to a transaction proposed to be undertaken by the University shall also have a Conflict of Interest with respect to establishing the compensation of Covered Persons having the authority to recommend or approve the University's participation in the transaction as to which the Conflict or Duality of Interest relates.

BREACHES OF CONFIDENTIALITY AND VIOLATIONS OF THE CONFLICTS AND DUALITIES OF INTEREST POLICY

1. If the Trustees or Trustee committee have reasonable cause to believe that an Interested Person has failed to disclose an actual or potential Conflict or Duality of Interest, it shall inform the Interested Person of the basis for such belief and afford him or her an opportunity to explain the alleged failure to disclose.

2. If, after receiving the response of the Interested Person and making further investigation as may be warranted in the circumstances, the Trustees or Trustee committee determine that the Interested Person breached his or her duty of confidentiality or has failed to disclose an actual or potential Conflict or Duality of
Interest, it shall take appropriate sanctions. Sanctions may range from seeking removal of a Trustee or officer to a reprimand. Pursuant to other applicable employee policies of the University, Designated Employees may be terminated, reprimanded, placed on warning or have their compensation affected. Sanctions may also include terminating relationships with Designated Agents. The sanction shall reflect the Trustees' view of the violation's seriousness and the degree of harm or potential harm to the University.

RECORDS OF PROCEEDINGS REGARDING CONFLICTS AND DUALITIES OF INTEREST

The minutes of the Trustees and of all Trustee committees shall contain:

1. The names of the persons who disclosed or otherwise were found to have an Interest in connection with an actual or potential Conflict or Duality of Interest, the nature of the Interest, any action taken to determine whether a Conflict or Duality of Interest was present, and the Trustees' or Trustee committee's determination as to whether a Conflict or Duality of Interest, in fact, existed; and

2. A record of measures taken with respect to persons having Conflicts or Dualities of Interest, including whether the Interested Person left the meeting room and did not participate in the deliberations and voting of the Trustees or Trustee committee. The record shall include the names of all persons who were present for discussions and votes relating to the transaction or arrangement, the general content of the discussion, and any alternative transaction or arrangements considered.

PERIODIC DISCLOSURE STATEMENTS

The Chief of Staff and Board Secretary shall have the affirmative obligation to periodically publicize and implement this Policy and its procedures to all Covered Persons.

At least annually, each Covered Person shall sign a statement for the purpose of disclosing Interests that may give rise to Conflicts and Dualities of Interest and affirming that such person:

1. Has received a copy of this Policy;

2. Has read and understands this Policy;

3. Has agreed to comply with this Policy;
4. Understands that the University is organized and operated exclusively for educational and charitable tax exempt purposes and, to maintain its federal tax exemption, University business must be operated in a manner consistent with this Policy; and

5. Will promptly report any change in his or her responses that may result from changes in circumstances or any further Interest that may develop before completion of his or her subsequent annual questionnaire.
Schedule - 1
Examples of Conflicts of Interest

1. A Covered Person is a director of a business that sells software to the University for any consideration.

2. A Covered Person is a more than 10% stockholder, partner or proprietor of a business that sells services to the University for any consideration.

3. A Covered Person is a part-time employee of a business that sells office supplies to the University for any consideration.

4. A Covered Person who chairs the Trustees' audit committee and receives a $2,000 vacation from the engagement partner of the accounting firm that represents the University.

5. A Covered Person and his/her spouse are provided with a free dinner, theater tickets, and overnight stay, valued in excess of $250.00 by representatives of a conference center that seeks to host a conference to be sponsored by the University.

6. A Covered Person's spouse is a part-time consultant to a consulting firm that bids for a contract with the University in a material amount.

7. A Covered Person provides services to a third party where the Covered Person believes that the requested services are requested by the third party to assist the third party in obtaining a material contract exceeding $250.00 with the University, without regard to the intentions of the Covered Person.

8. A Covered Person who is also a consultant-for-hire requests that he or she be among the panelists at a conference sponsored by the University and that a competing consultant be dropped from consideration as a panelist.

Examples of Dualities of Interest

1. A Trustee or officer also serves in a similar capacity to another charitable organization that competes with the University as to revenue sources, including general fundraising.

2. A Trustee also serves in a similar capacity to another charitable or governmental organization that competes with the University as to programs and activities.

Responsible Committee: Committee on Governance
Sample Annual Letter and Disclosure Statement

February 28, 2013

INSERT INSIDE ADDRESS HERE

Dear :

The University is required to file IRS Tax Form 990 for each fiscal year. More disclosure of new financial and non-financial information is required including relationships and transactions with the University's current and former trustees, current and former officers, key employees and certain designated outside agents. Because these disclosures request information not typically captured by the University, we must request this information for the University's fiscal year ending December 31, 2012, and any conflicts or dualities that have presented themselves thereafter. The University is required to make reasonable efforts to obtain the information; therefore, we are sending the enclosed questionnaire. We respectfully request that you read and complete all questions.

ALL INFORMATION REPORTED WILL BE HELD CONFIDENTIAL.

Please respond to each of the following questions and return the questionnaire by:

Date: March 28, 2013

To: Marilyn Davis, Chief of Staff and Board Secretary
Millikin University
1184 W. Main Street
Decatur, IL 62522
Telephone: (217) 424-6379

Thank you for your attention to this matter. If you have any questions, please contact me at mdavis@millikin.edu or 217-424-6379.

Sincerely,

Marilyn S. Davis
Chief of Staff and Board Secretary

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MILLIKIN UNIVERSITY CONFLICT AND DUALITY OF INTEREST QUESTIONNAIRE

Please complete the following questions, sign and return in the enclosed envelope. Refer to Schedules 1 and 2 for examples and definitions.

1. During the fiscal year ending December 31, 2012, did you:

   a. Have a direct business transaction with the University or an indirect business transaction through your ownership of more than 10% in another entity that had a business transaction with the University.
      ______ Yes    ______ No

   b. Have a Family Member who had a direct or indirect business transaction with the University?
      ______ Yes    ______ No

   c. Serve as an officer, director, trustee, partner, or member of an entity doing business with the University?
      ______ Yes    ______ No

   If you answered "yes" to any of the questions, please explain:

2. Did the University provide to you or a Family Member a scholarship, internship, prize, award, or any type of grant?
   ______ Yes    ______ No

   Do not include:

   - Any compensation reported on a Form W-2
   - Non-taxable fringe benefits
   - Reimbursements for business expenses
   - Goods or services provided in exchange for a donation, provided that all similarly situated donors were offered the same goods or services
   - Business transactions with no gift element

   If yes, please explain the type of payment, to whom the payments were made, including the relationship to you and the amount of the payment.
3. For the 12-month period ending on December 31, 2012, did the University make to you, or to anyone or any organization that is an "Interested Person" by virtue of its relationship to you, total payments in excess of $10,000 as a result of business transactions? Business transactions include, but are not limited to, sales of goods, contracts of sale, leases, licenses, and performance of services, whether limited to the current year or a prior year. (If you were an officer, director or owner of a for-profit business that did more than $10,000 of business with the University during the 12-month period specified above, you should answer "yes").

   _____ Yes   _____ No

If yes, please provide an explanation:

4. Did the University make compensation payments to one of your Family Members?

   _____ Yes   _____ No

If yes, please, list the Family Member(s) and their relationship to you. You do not need to list any relative whose total "reportable compensation" from the University was $10,000 or less.

5. Were you, a Family Member and/or an entity 10% controlled by you, and/or by your Family Member, engaged in a loan transaction to or from the University, including salary advances, other advances, or receivables during the year? This includes any loan or advance that was originally made between the University and a third party, or between you or a Family Member and a third party, that was transferred to become a debt outstanding between the University and you or a Family Member. This does not include business expense advances, pledges receivable, accrued but unpaid compensation that would qualify as a charitable contribution when paid, or receivables that were created in the ordinary course of business on the same terms as offered to the public.

   _____ Yes   _____ No

If yes, please provide an explanation:
6. Do you or a Family Member have a trust, escrow, or custodial arrangement with the University?

______ Yes  ______ No

If yes, please provide an explanation:

7. Are you or a Family Member a member of a selection committee with any charitable institution that grants money or receives funds from the University?

______ Yes  ______ No

If yes, please provide an explanation:

8. Do you or a Family Member have any loans to or from the University?

______ Yes  ______ No

If yes, please provide and explanation:

9. Are you aware of any excess benefit transactions to report? An excess benefit transaction is where the University directly or indirectly provided an economic benefit to any individual or entity where the fair market value of the benefit received by that individual or entity exceeded the fair market value of the consideration received by the University.

______ Yes  ______ No

If yes, please provide an explanation:
10. Please affirm that you:

1. Have received a copy of the Policy;
2. Have agreed to comply with the Policy;
3. Understand that the University is organized and operated exclusively for educational purposes and, to retain its federal tax exemption, University business must be operated in a manner consistent with the Policy; and
4. Will promptly report any change in your response that may result from changes in circumstances or any further Interest that may develop before completion of your subsequent annual questionnaire.

______ Yes     ______ No

________________________________________
Signature

________________________________________
Printed Signature

Position: ____________________________
Company: ____________________________
Date: _______________________________
Examples of Conflicts of Interest

1. A Covered Person is a director of a business that sells software to the University for any consideration.

2. A Covered Person is a more than 10% stockholder, partner or proprietor of a business that sells services to the University for any consideration.

3. A Covered Person is a part-time employee of a business that sells office supplies to the University for any consideration.

4. A Covered Person who chairs the Board audit committee and receives a $2,000 vacation from the engagement partner (with whom he/she is not personally involved) of the accounting firm that represents the University.

5. A Covered Person and his/her spouse are provided with a free dinner, theater tickets, and overnight stay, valued in excess of $250.00 by representatives of a conference center that seeks to host a conference to be sponsored by the University.

6. A Covered Person's spouse is a part-time consultant to a consulting firm that bids for a contract with the University in a material amount.

7. A Covered Person provides services to a third party where the Covered Person believes that the requested service is requested by the third party to assist the third party in obtaining a material contract with the University even without regard to the intentions of the Covered Person.

8. A Covered Person who is also a consultant-for-hire requests that he or she be among the panelists at a conference sponsored by the University and that a competing consultant be dropped from consideration as a panelist.

Examples of Dualities of Interest

1. A trustee or officer also serves in a similar capacity to another charitable organization that competes with the University as to revenue sources, including general fundraising.

2. A trustee also serves in a similar capacity to another charitable or governmental organization that competes with the University as to programs, activities and tax exempt purpose.
"Compensation" includes direct and indirect remuneration as well as gifts or favors (except those less than $250 per calendar year).

"Conflict of Interest" or "Conflict" occurs when an Interested Person (defined below) has an Interest (defined below) which is disclosed as or found under this Policy to be a personal and proprietary interest to the Interested Person or his or her Family Member (defined below), and the promotion or protection of such Interest (defined below) will or may cause such Interested Person to act in a manner opposed to, incompatible with, or not in the best interests of the University and its tax exempt, educational purpose. Examples of Conflicts of Interest are listed in Schedule - 1.

"Covered Person" shall mean all persons to whom this Policy applies, including trustees, officers, members of trustee committees, Designated Employees (defined below) and Designated Agents (defined below) and are all sometimes referred to as "covered fiduciaries."

"Designated Agents" are the University's bankers, auditors, attorneys and consultants who provide services in amounts in excess of $10,000.00 per calendar year.

"Designated Employees" are: the President, Chief of Staff and Board Secretary, Vice President for Finance and Business Affairs, Vice President for Academic Affairs, Vice President for Enrollment, Vice President for Development, Director of Facility Operations, Contracts and Risk Management, University Deans, and the University's directors, associate directors, assistant directors and key employees designated by the Chief of Staff and Board Secretary.

"Duality of Interest" or "Duality" occurs when an Interested Person has an Interest that is disclosed as or found under this Policy to be not personal or proprietary to the Interested Person or his or her Family Member, where the promotion or protection of such Interest will or may cause such Interested Person to not act exclusively in the best interests of the University and its tax exempt, educational purpose. A Duality of Interest may include a competing uncompensated fiduciary obligation to another charitable institution. Examples of Dualities of Interest are listed in Schedule – 1.

"Family Members" shall mean a Covered Person's spouse, ancestors, children, grandchildren, great-grandchildren, siblings (whether by whole or half blood, natural or adopted), and the spouses of children, grandchildren, great-grandchildren, and siblings.

"Interested Person" shall mean any Covered Person who has a direct or indirect Interest (defined below). "Interested Persons" are sometimes referred to as "covered fiduciaries" when the Intermediate Sanctions of Internal Revenue Code Section 4958.
"Interest" includes any of the following interests of a Covered Person, whether direct or indirect, through business, investment, or the business or investment of his or her Family Member:

(i) A ten percent (10%) ownership or investment interest in any entity with which the University has a transaction or contractual arrangement;

(ii) A compensation arrangement with the University or with any entity or individual with which the University has a transaction or contractual arrangement, in which the compensation is in excess of ten thousand dollars ($10,000) in any year;

(iii) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the University is negotiating a transaction or contractual arrangement; or

(iv) A director or officer position or other position of substantial influence with respect to an entity, charitable or otherwise, that competes with the University for grants, contributions or strategic opportunities.

An Interest is not always a Conflict of Interest. It may be too tenuous or contingent. As provided below, a person who has an Interest may have a Conflict of Interest only if, pursuant to disclosure, the trustees decide that a Conflict of Interest exists.
CRITERIA FOR CONSIDERATION OF EMERITUS TRUSTEESHIP STATUS

The election to “trustee emeritus” status is based on the quality of service demonstrated as a board member rather than time served, although an important factor for consideration of this honor.

1. To have faithfully served three, 3-year terms with exemplary attendance at board meetings during one’s tenure as a trustee. Serious consideration for emeritus status shall be given to a trustee retiring after two, 3-year terms that has served the University in exceptional and distinguished ways.

2. During tenure, consistent philanthropic support of the annual Millikin Fund and a gift, consistent with the trustee’s financial means, to any and all capital campaigns occurring during the trustee’s tenure. It is expected that once “emeritus” status is bestowed upon a trustee that his/her philanthropic support will continue at a level agreeable to the emeritus trustee.

3. A demonstrated willingness to serve as an advocate on behalf of Millikin University when called upon during one’s tenure and subsequently into emeritus trustee status.

4. A consistent track record of engagement in terms of contributions to the deliberations of the Board of Trustees.

5. To have demonstrated leadership within the Board.

6. A willingness to continue to support the Mission and Vision of Millikin University within the scope of individual capabilities.

Implemented February 23, 2013
Committee Responsible: COG
Faculty and Student Representation Policy

The inclusion of faculty and student representatives to the board is intended to build the strongest possible partnership between the board and the president and, in turn, with their on-campus governance constituents. It does not have as an intended consequence any erosion of the leadership authority of the president, and it does not represent a suggestion that the board of trustees should engage in micro-management.

Faculty Representative
As described in the University’s bylaws, the board of trustees will annually elect a faculty representative as an advisor to the board. The bylaws provide that the faculty member shall:
1. be nominated by the faculty at the beginning of the academic year through a process established by the faculty
2. serve a maximum of three (3) consecutive one-year terms
3. be presented to the board of trustees for election by the board at its fall meeting
4. be invited to attend all meetings of the full board of trustees except those conducted in executive session
5. not have voting privileges
6. not be included as one of the number of trustees.

In addition, the faculty member shall:
1. be invited to attend appropriate meetings of committees of the board
2. prepare written reports for distribution to the trustees prior to each board meeting and then be given agenda time in full board session to deliver an oral summary – these reports should be focused on issues of institutional strategy and policy and should express points of view held by a preponderance of faculty voices.

Student Representative
The board of trustees will annually elect one student representative as an advisor to the board. The student representative shall:
1. be nominated by the student body through an inclusive process approved by the Committee on Governance
2. serve a maximum one-year term
3. be presented to the board of trustees for election by the board at its Commencement meeting
4. be invited to attend all meetings of the full board of trustees except those conducted in executive session
5. not have voting privileges
6. not be included as one of the number of trustees
7. be assigned to the Educational Affairs Committee and the Alumni and External Development Committee
8. prepare brief written reports (3 pages or less) for distribution to the trustees prior to the October and May board meetings and then be given agenda time in full board session to deliver an oral summary – these reports should be focused on issues of institutional strategy and policy and should express points of view held by a preponderance of student voices.

Implemented February 14, 2004
Responsible Committee: Committee on Governance

To be eligible to be elected as an advisor to the board of trustees the student shall:

1. Be in good standing (academic, discipline and financial) with the university,
2. Be enrolled as a full time student,
3. Have completed 60 credit hours at the time of application, and at least the most recent 15 must have been completed at Millikin University as a full time student, [Essentially, juniors may run for election to serve when they are seniors. This also allows a student who transfers in at the end of sophomore year to run during his/her second semester at Millikin.]
4. Have a cumulative and Millikin GPA of no less than 3.0,
5. Submit to the Dean of Student Life and Academic Development a completed Intent to Run packet no later than 12:00 noon, the first Monday in March

The intent to run packet will include

1. A letter of intent describing why the student desires to serve as an advisor to the board of trustees,
2. A completed confidentiality and conflict of interest statement (each of which can be picked up from the Secretary to the Board of Trustees, Ms. Marilyn Davis, in SH 201),
3. A petition supporting the candidacy, signed by no less than 100 of the full time enrolled student body

The dean shall certify eligibility of the candidates no later than March 15 and announce to the campus those contending for the position of student advisor to the board of trustees.

An open election process will be conducted the first full week of April.
1. All full time enrolled students shall be allowed to vote for one candidate
2. The election will be conducted electronically
3. The candidate receiving the most votes shall be presented to the board for election at its Commencement meeting.
Guidelines for Appointment and Service of New Trustee Mentors

Selection of Mentors

In consultation with the Committee on Governance (COG), the COG Chair and/or Board Secretary will recruit a mentor for each newly appointed trustee. Mentor candidates will be trustees who:

- Actively demonstrate the characteristics of good trusteeship, as set forth in the Board’s Statement of Trustee Responsibilities.
- Are veteran members of the Board of Trustees serving in or previously served in leadership roles.
- Can dedicate the time and interest necessary to serve as effective mentors.

All mentor candidates shall receive a copy of these guidelines prior to their acceptance of a mentorship role.

Duties of Mentors

- A mentor will minimally agree to serve during the first year of the new trustee’s trusteeship.

- A mentor will contact the new trustee before and after each Board meeting during the new trustee’s first year of service to assist the new trustee in understanding Board operations, policies, and what occurred at the meeting, as well as to assist the new trustee in improving his or her ability to contribute effectively to the Board.

- Mentors will use best efforts to attend the orientation sessions for new trustees.

- Mentors will seek informally to introduce the new trustee (and their spouse) at Board of Trustees’ social gatherings and at other University events when appropriate.

At the end of the first year of the mentoring relationship, each mentor and new trustee will be asked to complete a survey assessing the mentoring experience. Those results will be reviewed by the Committee on Governance and revisions will be made as appropriate, if need.

Implemented February 23, 2013
Committee Responsible: COG
Orientation of New Trustees

The orientation process for new trustees as stated in the materials on Board governance is for a half-day set of briefings with the executive team. During these meetings, each team member will provide appropriate materials and documents. The briefing is then followed by a campus tour. The current schedule allows for 15-30 minutes with each member of the Executive Team.

The governance materials indicate that the Chair of the Board, the President of the University, the Chair of the Committee on Trustees and the President’s administrative team have the shared responsibility for ensuring that the new trustee receive a thorough orientation that includes the following:

2. A review and clarification of trustees’ responsibilities.
3. A review of the University’s educational program and academic standards.
4. An explanation of the Universities investments and finances.
5. An explanation of the University’s student body and housing facilities.
6. A review of the University’s current annual fund drive and Capital Campaign.
7. A tour of the University’s campus.

What currently exists may in fact be a variation of the above. Over the years, the orientation processes for the new trustee have become less formalized and adjusted to meet the time constraints of the trustee. Consequently, some or all of the above may receive very limited treatment even beyond the already abbreviated process that exists. The average of twenty minutes that is currently spent with the members of the executive team may not be enough to bring new trustees up to speed. In addition, the timing of the orientation may be out of sequence, so that a new trustee may have already attended one or even two meetings prior to their orientation. This scenario puts the new trustee at a disadvantage because they may be involved in decision making processes for areas that they do not have a full understanding of.

Given the current status of the orientation process there are clearly ways to improve upon the existing structure. Based on comments from other board members there is some desire to have a more formalized process that occurs prior to the first board meeting. There is also an interest in expanding the process and to improve upon the content of the current topics. Board members also felt that some formal pre-orientation process should occur on a regular basis and that existing trustees should be more involved in the process.

The following recommendations are being made to enhance the orientation process for new trustees:

1. The orientation process should begin at the point of invitation and should continue for the trustee’s tenure on the board.
   
   A. After the initial invitation to serve on the Board, the trustee candidate should be provided with a clear description of roles, responsibilities and expectations as a member of the Board of Trustees. This includes information about the number of Board meetings, the length of the Board meetings and time commitment. A discussion about expectations regarding sharing of treasures should occur at this time.
2. The formal campus orientation process should be expanded to a minimum of a full day, and preferably a couple of days. This should occur as early as possible after the acceptance, but not later than the next Board meeting.

A. If time and resources permit, it is preferred that the new trustee visit campus for a couple of days prior and apart from the Board meeting. This will focus their attention on the orientation and not split it between orientation and planning for the first meeting, which in and of itself is stressful for the new trustee. This would also allow the Executive Team and other more time to spend with the trustee without the constraint of also planning for the Board meeting. If this is not possible, then the new trustee should be required to arrive a day or two prior to the Board meeting for the orientation.

B. Students and faculty should be more involved in the orientation process for new trustees.

C. Every opportunity should be made to personalize the orientation, so that differences such as alums and non-alums, Midwesterners and non-Midwesterner can be taken into account.

D. Prior to the campus orientation, a “pre-orientation” process should take place. The new trustee should be contacted by the President, Chair of the Board, Chair of the Committee on Governance, and by members of the Executive Team for an informal discussion. Despite the informal nature of this process, it should be coordinated so that the calls and the subsequent documents and materials that follow are appropriately spaced. This would give the new trustee an opportunity to read and digest the materials.

3. The orientation process should be continuous. A system that pairs a senior trustee with a new trustee for at least the first year of membership will help to mentor and acclimatize the new trustee.

Committee on Trustees’ members Jennifer Friday and Lyn Houston, December 7, 1999
Responsible Committee: Committee on Governance
NEW TRUSTEE ORIENTATION
PRESIDENT’S DINING ROOM IN
RICHARDS TREAT UNIVERSITY CENTER
THURSDAY, NOVEMBER 3, 2016

Phil Blankenburg
Bob Givens
Steve Horve
Roz Leeck

Parking Reserved at Kirkland Fine Arts Center

AGENDA

10:30 a.m. Tour of Campus with President White and David Beasley, Assistant Director Public Safety. Depart for tour from the President’s Dining Room.

11:30 a.m. Lunch with President Pat White and Chief of Staff/Board Secretary Marilyn Davis

Discussion

Leader

Topics for Discussion

- University’s history, tradition, mission, & vision statements and brand position (Tab A)
- Key Issues Facing Higher Education (Tab B)
- Review of Key Challenges Facing Millikin (Tab C)
- Board Role
  - Operational Board vs. Policy Board
  - Guidance, Counseling, and Supporting the President
  - Expectation of Time, Talent and Treasure
- Review of University-wide organization chart (Tab D)

12:30 p.m. Session with Interim Vice President for Development Gina Bianchi

Topics for Discussion

- Overview of Alumni and Development (Tab E)
- Campaigns at Millikin
- Key Goals and Challenges of Department
1:30 p.m.  Session with Vice President for Enrollment & Marketing  
Sarah Shupenus  

Topics for Discussion  
- Overview of Enrollment (Tab F)  
- Key Goals and Challenges of Marketing & Enrollment Management (Tab F) Team  

2:30 p.m.  Session with Vice President for Finance and Business Affairs  
Ruby James  

Topics for Discussion  
- Mission, Organizational Responsibilities and FY17 Goals (Tab G)  
- Understanding University Uniqueness (Tab G)  
- Millikin Financials and FY17 Budget (Tab G)  

3:30 p.m.  Session with Provost  
Dr. Jeff Aper  

Topics for Discussion  
- Essential Elements of Strong Academic Programs (Tab H)  
- Academic Priorities for AY 2016-2017 (Tab H)  
- Board Educational Affairs Committee Mission (Tab H)  
- Board Educational Affairs Committee Goals for AY 2016-2017 (Tab H)  

4:30 p.m.  Session with Director of Athletics  
Dr. Craig White  

- Division III Athletics  
- Status of Athletic Teams and Coaches at Millikin  
- Where Millikin fits Athletically in the CCIW  
- Future of Athletic Facilities at Millikin  

5:30 p.m.  Social Hour with Members of Cabinet
6:30 p.m. Discussion (Dinner) with Members of the Board of Trustees

**Topics for Discussion**

- Decision-making process at committee and board levels
- Work expectations between meetings
- Role and Responsibilities of the Board at Millikin University (Tab I)
  - Strategic Thinking

**Trustee Attendees:**
- Dave Giertz, Chairman, Board of Trustees
- Tom Harrington, Chair, Investment Committee
- Lisa Holder White, Vice Chair, Facilities
- Kim Kenney, Chair, Marketing & Enrollment Management Committee
- Dr. Randy Rentfro, Chair, Educational Affairs Committee

7:30 p.m. Depart Campus
Recommendations on Board Governance

1. Committee on Governance (hereafter COG)
   A. The COG shall be chaired by an individual other than the Board of Trustees (hereafter Board) chair;
   B. The COG chair shall share responsibility with the President, assisted by the Board chair and COG members, for the recruitment and orientation of new trustees;
   C. The COG shall ensure effective processes for trustee recruitment, selection, and orientation; for Board and individual trustee development and evaluation; for oversight and periodic review of Board governance; for the annual nomination of Board officers, Executive Committee members, and new emeriti; and for succession planning; and
   D. The President shall serve as staff to the COG, assisted by the secretary of the Board.

2. Board Composition
   A. The Board shall be increased to approximately 30 members, with a range of 25-35 total members;
   B. The overall make-up of the Board shall reflect Millikin’s current and future constituencies, programs, and key issues and challenges;
   C. The overall make-up of the Board shall reflect diversity of professional experience, background, and gender and racial composition;
   D. All potential trustees shall have a strong commitment to higher education and to Millikin’s mission, and be willing to devote the time required to Board and University activities;
   E. In most cases, potential trustees shall be capable of and willing to provide substantial financial support to the University; in some cases, greater weight will be given to an individual’s special expertise, background, and other potential contributions;
   F. Alumni/ae shall be given special consideration for board membership and comprise a majority of trustees;
   G. Young alums shall be cultivated carefully for future service on the board; and
   H. Trustees emeriti shall be kept well-informed about University issues, be encouraged to attend the annual May meeting, and be included on ad hoc committees; and the President’s special events and informal contacts with emeriti shall be encouraged.

3. Trustee Nomination and Recruitment Process
A. The COG chair shall welcome nominations of potential trustees from current and emeriti trustees at any time, and formally solicit them annually prior to the May meeting of the Board;

B. The President, assisted by the Alumni and Development Office, shall also be responsible for nominating suitable trustee candidates;

C. The COG annually shall review the profile of current board membership and determine the priority criteria for new trustees;

D. Following an initial review, the COG shall establish a cultivation plan for each active nominee, including proposed contact dates, trustee involvement, and other key factors;

E. Each cultivation plan shall include a several-stage discussion with the nominee of his or her financial contribution (annual and campaign) as well as an initial orientation to trusteeship and to the culture of the Board, the University, and higher education;

F. Whenever possible, the COG chair or other designated trustee shall accompany the President on the first visit to a potential trustee and when a formal invitation is extended; and

G. Follow-up contact shall be made with any candidate declining an invitation for Board membership to determine the reasons.

4. Orientation of New Trustees

A. The initial orientation process shall begin before the formal invitation to serve on the board and continue for one year after selection;

B. The orientation process shall cover major university issues and trends in higher education, the role of the Board of Trustees, the responsibilities of individual trusteeship, the culture of the Board, the basic structure and major divisions of the University; and

C. The orientation process shall be continuous, including current trustees, a mentor for each new trustee, and formal installation and testimonial ceremonies.

5. Trustee Development and Evaluation

A. The COG shall take the necessary steps to ensure that trustees are well informed about Millikin, the Board’s roles, responsibilities, and performance, and the best practices of other boards (both university and non-university);

B. At least once each year, the COG shall meet to identify and plan for the development of future Board leaders;

C. While ensuring the necessary continuity of leadership and experience, consideration shall be given to rotating committee chairs, committee membership, and special assignments, and assigning vice chairs for each committee to develop future Board leaders;
D. The COG shall carefully consider the selection and development of the Board vice chair with the thought of the vice chair succeeding the chair;

E. As part of the development process, the Board chair and President shall regularly involve the Board vice chair in their discussions;

F. The President shall ensure the development and training of key staff in the service and support of the Board and of Board committees;

G. The Board chair shall create a sense of inclusiveness among trustees and oversee the creation of group goals;

H. The COG shall continue to oversee the annual self-evaluation of individual trustees and provide feedback annually through the committee chair or designated committee member;

I. The COG, with the assistance of the chair of the Board, shall ensure that all retiring or resigning trustees are interviewed concerning their experience as a trustee, as a source of valuable information and constructive suggestions;

J. The COG shall oversee the continuation of an annual evaluation of the Board, with an opportunity to discuss the results with the full Board;

K. Every five years, the Board shall conduct a rigorous self-assessment, facilitated by an outside consultant; and

L. The performance of both the Board and the University shall be measured and regularly monitored. (The latter may be undertaken by the development of a more focused “dashboard” of key indicators of the University’s performance in light of the goals set by the Board and the President. Specific and unique goals should be established annually for the Board, each committee of the Board, the Board chair, the President, and each Trustee.)

6. Board Committee Structure

A. Each committee and the full Board shall review their current purpose and scope on a three-year rotating basis, beginning in the year 2000-2001;

B. Each committee shall identify “best practices” in the academic world to ensure vitality and relevancy;

C. Ad hoc committees shall be established to address specific issues and strategic priorities, but shall have clearly established goals and timelines for action;

D. Joint committee meetings and projects shall be encouraged to enhance Board understanding of complex institutional issues;

E. The full Board and its Executive Committee shall have responsibility to oversee University and Board planning;
Each Board committee shall conduct and monitor planning activities appropriate to their work; and

Board plenary sessions, regular briefings, special President’s reports (whether under New Business or in Executive Session), and other devices shall be continued, to focus the board on critical institutional issues.

When the 1999-2000 academic year began, the Chairman of the Committee on Trustees, Douglas Oberhelman, and the members of the committee began to re-examine the Board’s progress in the following five board governance areas concluding additional work was needed for a more solid foundation: Board Composition, Trustee Nomination Process, Orientation Process for New Trustees, Trustee Development and Evaluation, and Board Committee Structure.

The committee was divided into five ad-hoc study groups with the charge to compile a one to two page “position paper” developing the assigned topic which included a brief summary of current practices and policies, SWOT analysis, needed improvements, and specific recommendations.

The Association of Governing Boards was contacted to explore the use of an expert on board governance. Dr. Barbara Taylor of Academic Search Consultant Services was hired and assisted in guiding the committee’s work.

At the Commencement Board meeting held on Millikin’s campus May 20, 2000, Trustee Oberhelman presented the Committee on Trustees’ recommendations. The recommendations were unanimously approved for immediate implementation.

(References to “Committee on Trustees” were changed to “Committee on Governance” when the board approved that name change in 2003.)

Responsible Committee: Committee on Governance
MILLIKIN UNIVERSITY
AD HOC COMMITTEE ON GOVERNANCE

POLICIES & PRACTICES:
RECOMMENDATIONS FOR ACTION

I. BOARD ORGANIZATION & STRUCTURE: Policies and practices that concern the internal functioning of the board. The trustee members of the ad hoc committee working with interim president John Reynolds and the committee’s consultant originally developed the recommendations contained in this section of the ad hoc committee’s report. Those recommendations were reported to the full board in the meeting of February 15, 2003 and subsequently modified to reflect the suggestions made by the trustees as a result of their working-discussions on February 15. The modified or edited recommendations appear in this report. Responsibilities for implementation have been assigned to each recommendation together with a designation for the timing of the implementation: I= immediate implementation, completion by the May 2003 meeting of the board, II= implementation within six months and III= implementation within one year.

Policies & Practices (P&P)-I: How to implement and make permanent (1) those policies and practices that have been developed and adopted in the past, and (2) those policies and practices that are now recommended by the ad hoc committee.

Discussion: The ad hoc committee’s objective is to ensure that current policies and practices and all newly adopted policies and practices are fully and consistently implemented; it also believes it imperative that the recent lessons learned by the board of trustees not be forgotten. To fulfill those objectives, the committee recommends that the role of the Committee on Trustees (COT) be augmented with new responsibilities.

Recommendation 1. Charge the (COT) with the responsibility to:

(1) Catalog all existing board policies and practices.
(2) Work with committee chairs to assure that the implementation of existing policies and practices is assigned to the appropriate board committees.
(3) Similarly, assign to board committees all recommendations adopted by the board from the work of the ad hoc committee.
(4) Serve as the ongoing governance monitor to verify that all policies and best practices adopted by the board are fully, faithfully and consistently implemented.
(5) Working with the president’s office, verify that all new and existing policies and practices are recorded and included in the “Board of Trustees Handbook”.
(6) Report annually to the full board the status of these COT responsibilities.

Responsible: COT
Timing: II.
• Recommendation 2. Continue the current practice of the vice chair of the board serving as chair of COT.
  Responsible: Board Chair
  **Timing: I.**

• Recommendation 3. Consider renaming COT as the Committee on Governance. The mission of COG would encompass the following responsibilities: (1) Recruiting, orienting, motivating and evaluating trustees, (2) Clarifying the duties of the board of trustees, (3) Recommending board composition objectives, (4) Analyzing and recommending optimum board structure, (5) Recommending practices that accomplish the objective of periodic performance evaluations for the full board, (6) Monitoring the board’s implementation of all other approved governance policies and practices, and (7) Assisting the committees of the board as needed in the exercise of their governance responsibilities.
  Responsible: Board Action
  **Timing: I.**

• P&P-2: How to attract new members to the board and meet board composition goals and objectives.
  
  • Discussion: Existing practices of identifying and recruiting new trustees are sound but need to be placed in a strategic context.

• Recommendation 4. Develop a clear understanding of board governance talent needs for the next three to five years. Best practice is for COT/COG to reach these understandings through dialogues with the president and then to expect that the president will play a collaborative role working with the board chair and COT/COG in the recruitment process for new trustees.
  Responsible: COT/COG
  **Timing: II.**

• Recommendation 5. COT/COG to convert these understandings into a revised Statement of Criteria for board membership. This revised statement should reflect the possibility of newly identified talent needs required by the current operating condition of the institution. The revised statement should also include a criterion for board membership diversity. COT/COG should communicate the revised statement to the full board to seek its understanding and endorsement.
  Responsible: COT/COG
  **Timing: II.**

• Recommendation 6. The current Statement of Trustee Responsibilities should be strengthened to more explicitly define the expectations for trustee commitments of personal time and related work on board committees and for personal philanthropy. A suggested text from the Association of Governing Boards might serve as a guideline.
  Responsible: COT/COG
  **Timing: II.**

• P&P-3: How to bring clarity and transparency to the selection of board officers.

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• Discussion: The process through which board and board committee leaders are selected is not fully understood by trustees. The committee believes that the board and the institution would be well served by policies and practices that are transparent and consistently implemented.

• Recommendation 7. Adopt the principles of best practices expressed in Exhibit 1. that recommends the formation of an ad hoc nominating committee charged with the objective of recommending candidates for board chair and vice chair for consideration by the full board. The ad hoc committee would meet only on those occasions that anticipate a change in board leadership.

  Responsible: Nominating Committee (NC)

  Timing: Approximately 12 months prior to the selection of the next chair of the board.

• Recommendation 8. Adopt a process, similar to the model described in Exhibit 2., for the selection of future generations of board chairs and vice chairs (leadership selections beyond those already scheduled). The model proposes that an ad hoc committee of the board, formed only on those occasions of anticipated changes in board leadership, exercise these responsibilities. See also Note 2 of Exhibit 2 and Recommendations 41 & 42 for guidelines in the selection of chairs and vice chairs of the board when there are constraints caused by term limits.

  Responsible: NC

  Timing: Approximately 12 months prior to the selection of the next chair of the board.

• P&P-4: How to improve the existing policy and practice of presidential performance appraisal.

  Discussion: The existing process of annual presidential performance appraisal, recently developed and adopted, is sound but can be improved to reflect recent experience.

• Recommendation 9. The annual expectations for presidential performance should be broadened beyond the current practice of a narrowly defined statement of developmental goals and objectives to include the achievement of board approved short-term, annual, strategic and operating goals and objectives. Developed in partnership with the president, these goals and objectives should be responsive to the current overarching need to achieve financial stability and should also include an assessment of the short and long-term risks that face the institution. See also Recommendation 60.

  Responsible: Presidential Search Committee & Evaluation Committee

  Timing: I.

• Recommendation 10. The annual presidential self-assessment and the trustee assessments of presidential performance should be supplemented by confidential appraisals of presidential performance by (1) faculty leadership, (2) all members of the presidential cabinet, (3) representatives of the administration and staff and (4) student leadership. These appraisals should be focused on presidential performance for the board approved short-term strategic goals and objectives as developed through the process of Recommendation 9. Every effort should be made to ensure that opinions about presidential performance are fair, based on
factual data and that observable behavior and accomplishments back those qualitative judgments. To achieve this objective, all written appraisals that might be requested should be supplemented by oral on-campus interviews.

**Responsible:** Evaluation Committee  
**Timing:** II.

- **Recommendation 11.** Periodically, three years initially, then every five years, use an outside evaluator to perform a comprehensive governance audit that assesses the performance of the board of trustees, the president and the institution. The governance evaluator functions as an independent auditor, works from an agenda that has the prior approval of the board of trustees and reports to the board of trustees.  
  **Responsible:** COG  
  **Timing:** III (COG to set a date for the first outside evaluation).

- **P&P-5:** How to improve the policy and practice of setting presidential compensation.

  - **Discussion:** The approved policy and practice for compensating the president, recently developed and approved, should be reviewed.

  - **Recommendation 12.** Designate a Compensation Committee of the board as a new standing committee charged with the implementation of these recommendations (P&P-5) and those recommendations contained within P&P-19 (Senior Administration compensation). The chair of the board should chair the Compensation Committee.  
    **Responsible:** Board Action  
    **Timing:** I.

  - **Recommendation 13.** Base annual reviews of presidential compensation (including benefits) on four factors: (1) Market comparisons for schools of comparable size and complexity, (2) The financial capacity of the institution, (3) Performance assessments, and (4) The longevity of presidential experience. The starting compensation package for the new president should principally be reflective of the first two factors: market comparisons and the university’s financial capacity  
    **Responsible:** Compensation Committee and Presidential Search Committee  
    **Timing:** I.

  - **Recommendation 14.** Consider introducing a merit based financial incentive that rewards exceptional presidential performance over and above base salary. This may be a particularly important provision of a compensation plan for the new president who should be charged with a number of board approved, urgent and short-term operating and strategic objectives that are measurable and responsive to the financial condition of the university. A possible “financial incentive” formula might set a threshold that must be achieved before an incentive kicks-in and a ceiling that sets the maximum potential for a payout. Financial incentive formulae must also be sensitive to those institutional goals and objectives that require an investment of financial resources that could constrain the generation of operating surpluses and therefore the availability of cash for incentive awards.
All presidential compensation plans, including the possible inclusion of a financial incentive provision, must receive the prior approval of the full board. 

**Responsible:** Compensation Committee & Presidential Search Committee  
**Timing:** 1.

- **Recommendation 15.** Annually, communicate to the full board in executive session the full context of Recommendations 13 & 14. (Presidential Compensation) and seek all appropriate approvals.  
  **Responsible:** Compensation Committee  
  **Timing:** 1.

- **P&P-6:** Would an internal auditor contribute to trustee comfort and confidence in the financial performance of the institution?

  - **Discussion:** The financial integrity of the institution is presently governed by a combination of interacting responsibilities among: the president, the board committee on budget and finance, the chief financial officer, the audit function of the Budget & Finance committee and the external independent auditor.

- **Recommendation 16.** Separate the audit function from the Budget & Finance committee and authorize a new standing committee of the board, the Audit Committee, charged with appointing the independent auditor as part of a comprehensive and independent validation of the financial condition of the institution. Best practices suggest that the new Audit Committee might be staffed as follows: (1) Chair of the Audit Committee is the vice chair of the Budget & Finance Committee, (2) Vice Chair of the Audit Committee is the chair of the Budget & Finance Committee, (3) Two members of the Budget & Finance Committee also serve on the Audit Committee, and (4) There is one at large member of the Audit Committee, a trustee who does not also serve on Budget & Finance.  
  **Responsible:** Board Action  
  **Timing:** 1.

- **Recommendation 17.** The Audit Committee should meet with the independent auditor prior to the commencement of annual audit activity to confirm the scope of the audit and to specify those areas scheduled to receive more highly focused audit attention (Recommendation 51). An executive session meeting with the independent auditor should be a routine practice of the committee.  
  **Responsible:** Audit Committee  
  **Timing:** 1.

- **Recommendation 18.** Defer action on adding an internal audit function and instead first seek to make the current structure of responsibilities, as amended by Recommendations 16 and 17, work.  
  **Responsible:** Audit Committee  
  **Timing:** 1.

- **P&P-7:** Should the role of the Executive Committee be reconsidered in the context of the current operating condition of the university?
• **Discussion:** The recent past practice of open meetings of the Executive Committee with phone-in participation permitted and encouraged has functioned well. The committee recognizes that the recommendations which follow represent a significant departure from past board practices, but the ad hoc committee members believe that the urgency of the current operating condition of the university justifies a revised governance structure that commits the time and energy of all trustees.

• **Recommendation 19.** Three additional formal meetings of the full board conducted by “teleconferencing” should supplement the current schedule of three formal on-campus meetings. This would bring all trustees together for substantive information and dialogue six times each academic year. These meetings should be of approximately two hours duration with suggested scheduling in December, March/April and August.
  
  **Responsible:** Board Chair working with the Board Committee Chairs and the President  
  **Timing:** I.

• **Recommendation 20.** Until there is board concurrence that the operating condition of the university has been stabilized, the recommended scheduling of six formal board meetings each year should replace the traditional functions of the Executive Committee. This recommendation should be subject to review and either cancellation or renewal at the beginning of the 2006 academic year.
  
  **Responsible:** Full Board  
  **Timing:** III (for review).

• **Recommendation 21.** The executive committee of the board should be vested with the necessary powers to respond to emergency calls for approvals in the interim between formal meetings of the board. It is expected that these calls for emergency action would be rare and that the schedule of six formal meetings should serve to anticipate all necessary board actions. All actions taken by the executive committee must be reported to the full board for formal ratification.
  
  **Responsible:** Board Chair  
  **Timing:** I (on-going).

• **P&P-8:** How to improve the effectiveness of meetings of the full board and of the committees of the board.

  • **Discussion:** The practice of creating three agenda categories—a consent agenda, an action agenda and an information agenda—has served the board well and should be continued. The content of the three agendas should be authored by the board leadership and benefit from fullest consultation with the president. The ad hoc committee also believes that the “management” of the approval process for major capital projects can be improved.

• **Recommendation 22.** Drafts of all board agendas should bear the shared authorship of the board leadership and the president and include prior review, subject to specified time limits for response, by the chairs and vice chairs of the relevant committees of the board. All trustees should have the opportunity to request that specific topics be considered for agenda inclusion. This might be
accomplished by posting a draft agenda prior to each board meeting inviting additional topics or by setting a date in advance of each board meeting for receipt of suggested topics for inclusion in the agenda for the forthcoming board meeting. The allocation of time for the three agenda categories—consent, action and information—should favor the “action agenda” to afford full board discussion of substantive issues.

**Responsible:** Board Chair and President

**Timing:** I.

- **Recommendation 23.** The committee chairs in consultation with the staff liaisons should be the principal authors of drafts of all committee agendas. They should then be circulated to all members of the committee for comment before being finalized. Committee agendas should allocate adequate time for substantive discussions. In addition, committee agendas should list topics in order of priority to ensure that committee time is dedicated to the most important issues.

  **Responsible:** Committee Chairs

  **Timing:** I.

- **Recommendation 24.** The existing “Financial Guidelines” policy for the “management” of requests for board approvals should be supplemented as follows. For all capital projects that exceed $100,000, these steps should be adopted:

  Step 1—the board committee/s that has/have governance jurisdiction for the project (example: a facilities proposal that falls within the shared jurisdictions of Budget & Finance, Education Affairs and the Facilities committees) vet the project proposal to judge its relevance to the mission and strategic vision of the university;

  Step 2, the Budget & Finance Committee takes the lead to approve the financial and operating assumptions that support the proposed project;

  Step 3, board and committee leaderships give a heads-up to the full board that a proposed project is in the pipeline for possible scheduling of board action;

  Step 4, board leadership sets a time-line for the proposed project that gives the full board the fullest possible allowance for discussion of the project rationale and the supporting major assumptions;

  Step 5, board leadership sets a date at a future board meeting when the full board will be scheduled to act on a formal proposal for the proposed project. This recommendation serves three objectives: (1) to give thoughtful board consideration to the mission-rationale for the project, (2) to allow for dedicated board time to carefully assess the financial and operating assumptions and implications that underlie the project, and (3) to impose a required time-line for approval thereby seeking to preempt a rush to judgment.

  Note that this recommendation is concerned only with capital projects as distinguished from repair and maintenance projects. Recommendation 25 addresses a review process for new “programs.”

  **Responsible:** Board Chair, President, Budget & Finance Committee, and the Facilities Committee

  **Timing:** I.

- **Recommendation 25:** New programs such as MPSL and PACE should be subjected to a process similar to that for capital projects (Recommendation 24) that is consultative and collaborative. While the same steps of Recommendation 24 are relevant…(1) Is the program mission centered? (2) What are the desired outcomes? (3) What are the financial implications? (4) What is the schedule for board action?…each new program will have its own discrete time-line.
P&P-9: How to improve the effectiveness of board committees.

Discussion: The committees of the board have functioned well in the past with professional support from their staff liaisons. The work intensity of the committees will increase with implementation of certain recommendations of the ad hoc committee, most notably P&P-8, Recommendations 24 and 25.

Recommendation 26. To create a wider sharing of the committee workloads, adopt the practice of appointing vice chairs to each of the standing committees. Responsible: Board Chair and Committee Chairs Timing: II.

Recommendation 27. Make extended use of telephone meetings of the committees, particularly to consider and act on routine agenda subjects, reserving on-campus committee meetings for substantive discussion of proposed plans and projects. Responsible: Committee Chairs and Staff Liaisons Timing: I.

Recommendation 28. Mission statements for each standing committee should be reviewed with specific attention given to connecting the oversight responsibilities of one or more of the committees to each of the high priority operating goals and objectives of the institution. Responsible: Committee Chairs and Staff Liaisons Timing: III.

Recommendation 29. The board and committee leaderships should make it an explicit expectation that staff liaisons to the committees are respected, professional sources of information and judgments and that the board wishes to invite and encourage their active participation in the work of the committees including the presentation of staff recommendations when appropriate. Staff recommendations should include: (1) a review of the staff’s work process, (2) an analysis of the pros and cons for alternative courses of action, (3) a description of the proposed course of action together with a rationale for the staff’s recommendation, and (4) a request for action on the recommendation. When appropriate, the deans of the university should join the cabinet to participate in substantive discussions of policy and strategy with the full board and committees of the board. Committee recommendations forwarded to the full board for approvals should include summaries of the supporting work of the staff liaisons. Responsible: Board Chair, President, Cabinet, and Committee Chairs Timing: I.

Recommendation 30: The “Financial Guidelines” policy should be reviewed in the context of the current operating priorities of the university. The review should include but not be limited to: (1) the use of unrestricted funds for operating purposes, (2) the cash funding of donor designated projects, and (3) the balance
between maximizing long term capital returns and the current needs to meet debt covenants.

*Responsible:* Budget & Finance Committee, Investment Committee and the Chief Financial Officer

*Timing:* II.

- **P&P-10:** Should the existing conflict of interest policy and practices be amended?
  - **Discussion:** The board’s conflict of interest policy as presently framed addresses the potential for conflicts of interest that might be of financial benefit as well as those conflicts that might benefit a third party (duality conflicts).
  - **Recommendation 31.** The policy of annual disclosure of potential conflicts should continue to be a regular discipline of the board including a communication to the full board that discloses all declared conflicts. The COT/COG should be charged with oversight of this policy.
    *Responsible:* COT/COG
    *Timing:* I.
  - **Recommendation 32.** The remedies of recusal from committee and full board votes and absence from committee and full board discussions should continue as required by the existing policy.
    *Responsible:* COT/COG
    *Timing:* I.
  - **Recommendation 33.** The language in the Conflict of Interest policy should be amended to: (1) prohibit trustees from interfering with the selection of vendors, (2) prohibit trustees from insinuating that financial support is or might be dependent on a specific choice of vendor(s), (3) prohibit trustees from publicly communicating confidential information when such communication is the legitimate and sole prerogative of the university, but also (4) recognize that trustees may have a vendor relationship with the university and that this relationship may be in the best interests of the institution subject to the additional understanding that the trustee’s vendor relationship will be subject to initial and repetitive competing bids and that these vendor relationships will be severed when they are no longer in the best interests of the university.
    *Responsible:* COT/COG
    *Timing:* I.

- **P&P-11:** How to improve the new trustee recruitment and orientation process.
  - **Discussion:** A comprehensive orientation program has been developed and is being implemented for all new trustees.
  - **Recommendation 34.** Make explicit during the recruitment process for new trustees that there is a personal requirement of both time and financial resources to successfully fulfill the responsibilities of trusteeship.
    *Responsible:* COT/COG
    *Timing:* III.
Recommendation 35. Augment the orientation program to bring higher attention and more explicit focus to the following aspects of trusteeship: (1) Make a connection between the new trustee’s background and experience and the his/her committee assignments, (2) Confirm that a high commitment of personal time is an explicit expectation, (3) Explain and confirm the explicit expectation for personal financial support and (4) Emphasize the necessity to understand and be conversant with the board’s policies and practices.

*Responsible: COT/COG*  
*Timing: III.*

Recommendation 36. At the beginning of each new trustee’s term, assign a mentor. Mentors should serve for approximately one year and should be carefully selected from among the most experienced sitting trustees. Mentors should be trained to perform their mentoring and should begin their responsibilities by attending the orientation program with the new trustee.

*Responsible: COT/COG*  
*Timing: III.*

P&P-12: How to improve the practice of individual trustee performance evaluations.

*Discussion: A recently developed policy of annual self-assessments has been implemented and is also serving as an effective reminder of trustee responsibilities.*

Recommendation 37. During the third year of each trustee’s term, the self-assessment should be supplemented by a review conducted by the chair of the board and the chair of COT/COG. These reviews should be reflective of trustee performance compared to an objective statement of performance criteria. The content of these two reviews should be discussed with the trustee and then with the full membership of COT/COG and contribute to concluding whether there is concurrence that the trustee should serve an additional term. A summary of these assessments should be reviewed with the full board in Executive Session. A practice of recusal should be exercised for trustees whose assessments are being reviewed either in COT/COG or by the full board. See also Recommendation 67 that advocates the value of constructive dissent.

*Responsible: COT/COG*  
*Timing: III.*


*Discussion: There has not been a policy or practice of board performance assessment that is separate from the judgments recorded in the individual trustee self-assessments.*

Recommendation 38. Require that all committees of the board adopt a practice of beginning each academic year with an annual statement of short and long term goals and objectives for the committee. Further require that each committee, at the end of each academic year, conduct a dialogue to assess its performance.

*Responsible: COT/COG*  
*Timing: III.*
• **Recommendation 39.** Devote agenda time at the last on-campus full board meeting each academic year to a dialogue of self-assessment. Include open discussion about the performance of the committees and of the full board and their achievement of the institution’s goals and objectives for the year. Include also the report from COT/COG that assesses whether the policies and practices of the board were fully and faithfully implemented during the year. Consider developing an assessment template or scorecard common to all committees that in the aggregate would reflect the performance of the full board.

  *Responsible:* COT/COG  
  *Timing:* III.

• **Recommendation 40.** Consider committing the board to a policy and regular practice of formal, comprehensive performance evaluations. Use an outside evaluator and facilitator charged to seek understandings by all trustees about the board’s performance and to develop a confidential database of constituent perceptions (faculty, cabinet, students) about the board’s performance. Begin this practice in 2004 or 2005 and then repeat it every three to five years.

  *Responsible:* COT/COG  
  *Timing:* III.

**P&P-14: How to improve the selection and succession planning for board leadership and committee leadership positions.**

• Discussion: There is a need to develop a transparent practice through which board and committee leadership positions are filled.

• **Recommendation 41.** Adopt flexible term limits or flexible guidelines for all leadership positions:

  • **Guideline for Officers:** Service for not less than three years or more than five years.

  • **Guideline for Committee Chairs and Vice Chairs:** Service for not less than two years or more than three years.

  *Responsible:* COT/COG  
  *Timing:* III.

• **Recommendation 42.** Adopt a flexible practice that allows board and committee leadership to exceed the nine year term limit for trustees when leadership terms overlap the ninth year. Example: a trustee in the eighth year of trusteeship is a candidate to be chair of the board; should the nine year term limitation preclude this candidacy or if selected to be chair of the board should he or she be required to step down as board chair at the end of the ninth year? This policy conflict should occur rarely but when there is a recommendation to violate it a full communication to the full board should be made explaining the rationale for an exception. Exceptions to the policy require the approval of the full board.

  *Responsible:* COT/COG  
  *Timing:* III.
• **Recommendation 43.** Continue the traditional board chair’s prerogative to determine the composition of board committees and continue to supplement that process with a formal annual request for each trustee’s “wishes” for committee membership. An attempt should be made to balance the value of extended experience on a committee with a goal that broadens trustee knowledge through exposure over time to a variety of committee work.  
  
  *Responsible:* Board Chair  
  *Timing:* III.

• **Recommendation 44.** Adopt a practice through which the board chair notifies COT/COG (but does not seek formal approval) of the annual plan for both board committee leadership assignments and trustee membership on those committees.  
  
  *Responsible:* Board Chair  
  *Timing:* III.

• **Recommendation 45.** Adopt a practice of including the president’s voice (but not a veto) in the process of selecting trustees for committee leadership positions and in the dialogue to plan for leadership succession.  
  
  *Responsible:* Board Chair  
  *Timing:* III.

• **Recommendation 46.** These recommendations create two new standing committees (Audit and Compensation), one new ad hoc committee (Nominating) and significantly expand the role and responsibilities of two standing committees (Committee on Trustees/Governance and Budget and Finance). It is recommended that the board chair and COT/COG be sensitive to the issue of trustee workloads and seek to balance time and energy commitments in ways that are consistent with the ability of the committees to fulfill their responsibilities.  
  
  *Responsible:* Board Chair and COT/COG  
  *Timing:* II.

II. **BOARD OVERSIGHT RESPONSIBILITIES:** Policies and practices that concern the board’s oversight for the governance responsibilities it delegates. The trustee members of the ad hoc committee working with interim president John Reynolds, with members of the cabinet, the deans of the schools of the university, and with the committee’s consultant originally developed the recommendations contained in this section of the report. Those recommendations were reported to the full board in the meeting of February 15, 2003 and subsequently modified to reflect the suggestions made by the trustees as a result of their working-discussions on February 15. The modified or edited recommendations appear in this report. Responsibilities for implementation have been assigned to each recommendation together with a designation for the timing of the implementation: I=immediate implementation, completion by the May 2003 meeting of the board, II=implementation within six months and III=implementation within one year.

• **Policies & Practices (P&P)-15:** Recommend practices that clarify the board’s role in strategic planning, including trustee integration into the planning process.  
  
  *Discussion:* Past strategic planning practices should not be faulted for lack of inclusion. Trustees were included in the work that produced the mission and vision
statements. Faculty and cabinet similarly served on strategic planning committees that issued finished planning documents. Rather, past planning efforts should be faulted for (1) proposing plans that could not be implemented, could not be made operational, because the underlying financial model was not valid, (2) proposing plans that were too “top down” and which rejected expressed concerns from participants about implementation, and (3) as a result of (1) and (2) the strategic direction of the institution was not improved or otherwise changed by the planning process.

• **Recommendation 47:** The next strategic planning process should include a broadly inclusive dialogue centered on the question, “What do we do best and for whom?” This dialogue will either verify or challenge the existing mission statement of the university and connect it to the business model so that there is clarity about what the institution does best and in what markets it can profitably compete. In this context, “Signature Programs” should also be challenged and justified for their mission relevance and financial viability.
  
  **Responsible:** Board Chair and President  
  **Timing:** II.

• **Recommendation 48.** The financial integrity of future strategic plans should be strengthened in two ways: (1) those responsible for financial analysis of the plans should be respected and viewed as an independent planning voice encouraged to speak candidly in open forum, and (2) the process of building a strategic financial model should be conducted in parallel with the process of defining a strategic vision for the institution. This parallel process serves the dual purpose of imposing constant fiscal discipline during the planning process while not allowing financial implications to stifle the creative development of a challenging, visionary future.
  
  **Responsible:** Board Chair and President  
  **Timing:** II

• **Recommendation 49.** The next planning process should be responsive to the expressed desire by trustees and representatives of the faculty for a closer interaction in a dialogue about the future of the university. The planning dialogue should also reach out to include the staff, administration and student representatives.
  
  **Responsible:** Board Chair and President  
  **Timing:** II

• P&P-16: Recommend practices that define the role of financial analysis in the strategic planning process.

• **Discussion.** There is a general consensus that the data base used in earlier strategic planning efforts was not flawed but that the analysis of the data was skewed to favor predetermined outcomes. In addition to Recommendation 48, the following are proposed.

• **Recommendation 50.** The relationship between the Budget & Finance (B&F) committee and the Chief Financial Officer (CFO) should be one that creates a partnership among the committee, the president and the CFO. One purpose of the partnership is to give the CFO more than one avenue through which to vet strategically significant financial issues. A second purpose is to raise the level of the B&F committee’s understanding of and confidence in the integrity of financial
reports and analyses. These purposes are not a replacement for the superior/subordinate relationship of the president and the CFO and are not intended to weaken that relationship or the authority of the president. Instead, they are intended to make cohesive between the board and the administration the consideration of all financial issues of strategic importance to the university. To further strengthen this relationship, the chair of the Budget & Finance committee and possibly other members of the committee will be asked to contribute to the president’s performance assessments of the CFO. See Recommendation 54.

* Responsible: President, Budget and Finance Committee and CFO
* Timing: I.

- **P&P-17**: Recommend policies and practices that clarify the board’s expectations for the conduct of external audits.

  - **Discussion.** Historically, external audits have balanced the institution’s desire for rigor with the cost of the external audit function giving due recognition to the underlying fact that external audits are professional opinions based on a sampling of transactions. In addition to Recommendations 16 & 17, the following additional proposals are designed to strengthen the external audit function without incurring incremental cost.

  - **Recommendation 51.** The scope of each annual audit including the identification of specially designated audit issues (e.g. financial aid, grants, donor restrictions) should be the subject of negotiation between the audit firm and the audit committee with fullest collaboration with the CFO.

    * Responsible: Audit Committee
    * Timing: I.

  - **Recommendation 52.** The first draft of the annual audit report should be made to the audit committee of the board.

    * Responsible: Audit Committee
    * Timing: I.

  - **Recommendation 53.** The term of engagement for external auditors should *generally* not exceed five years. At the end of each five-year appointment, the audit contract should be resolicited. This process should be adopted to select an external auditor for a term beginning with the academic year 2003/04.

    * Responsible: Audit Committee
    * Timing: I.

- **P&P-18**: Recommend policies and practices for performance appraisals of senior administrators.

  - **Discussion.** There is no clear understanding of how or whether there has been a regular process of performance appraisal for members of the cabinet.

  - **Recommendation 54.** The president should conduct formal performance appraisals for all members of the cabinet and the academic deans every year. The criteria for performance should be closely connected to the strategic and operating plans for the institution. In addition to the participation in the performance assessments of those trustees who have working relationships with the cabinet member being appraised,
other members of the cabinet and other members of the university community who also have working knowledge of the cabinet member’s performance should be included in the confidential assessment process. The president should be charged with reporting to the board in executive session a comprehensive overview of the conclusions of the appraisal process. Appropriate board agenda time should be allocated to afford full discussion at the completion of each cabinet performance appraisal.

*Responsible: President and Evaluation Committee*

*Timing: II.*

- **P&P-19:** Recommend policies and practices for the board’s oversight of compensation of senior administrators.
  
  - **Discussion.** There is no clear understanding of compensation practices for members of the cabinet.
  
  - **Recommendation 55.** The compensation committee of the board (Recommendation 12) should be additionally charged with the responsibility for oversight of compensation practices for cabinet members and all other direct reports to the president. The committee should annually review and approve the president’s compensation proposals for cabinet members and all other direct reports to reach understandings about: (1) the relative compensation rankings of the various cabinet members, (2) the relationship of each member’s compensation to a reliable data base of market comparisons, (3) how the most recent performance appraisals are reflected in the compensation proposals, and (4) what if any developmental plans are proposed for the cabinet members. A report from the committee giving summary data should be made annually to the board in executive session.
    
    *Responsible: Compensation Committee*
    
    *Timing: II.*

- **P&P-20:** Recommend policies and practices to improve the board’s oversight of institutional risk, including expectations for effective communication and the development of risk sensitive data.
  
  - **Discussion.** There is no history of discussion of institutional risk by the board of trustees or by any one of the committees of the board.
  
  - **Recommendation 56.** Require that the president engage the board in an annual comprehensive discussion of institutional risk. A risk assessment process (SWOT analysis) led by the president that generates fact-based opinions would focus the discussion. Cabinet members and others in the campus community would be invited to participate in this annual risk assessment process.
    
    *Responsible: Board Chair and President*
    
    *Timing: III.*

- **Recommendation 57.** Require that the annual budget process include the preparation of operating, balance sheet and cash flow budgets in two parts: (1) budgets that are driven by assumptions about revenue and expense that are “most likely” to occur, and (2) “stress” budgets that are driven by “worst case” assumptions. Given the current fragile nature of the institution’s financial condition, budget downsides are
one of the major sources of risk that must be regularly and clearly communicated to the board.

**Responsible:** President, Chief Financial Officer and Budget and Finance Committee

**Timing:** III.

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### III. THE BOARD’S ROLE IN INSTITUTIONAL GOVERNANCE: Policies and practices that clarify the responsibilities for institutional governance.

The trustee members of the ad hoc committee working with interim president John Reynolds, with members of the cabinet, including the deans of the schools of the university, and with the committee’s consultant originally developed the recommendations contained in this section of the ad hoc committee’s report. Those recommendations were reported to the full board on February 15, 2003 and subsequently modified to reflect the suggestions made by the trustees as a result of their working-discussion on February 15. The modified or edited recommendations appear in this report. Responsibilities for implementation have been assigned to each recommendation together with a designation for the timing of the implementation:

- **I=**immediate implementation, completion by the May 2003 meeting of the board,
- **II=**implementation within six months and III=implementation within one year.

- **P&P-21:** Recommend policies and practices to improve and strengthen the board/president relationship, including explicit expectations for the board of the president and the president of the board.

- **Recommendation 58.** The board should develop and adopt a set of short-term goals and objectives that express its expectations for performance by the new (the 13th) president of the university. The goals and objectives should be fully discussed with the short-pool of final candidates so as to judge and compare each candidate’s professional capacity to accomplish the board-specified performance expectations. The successful candidate should accept the presidency with the explicit understanding that he/she will be held accountable for these accomplishments.

  **Responsible:** Board Chair and Presidential Search Committee

  **Timing:** I.

- **Recommendation 59.** The preferred initial term for the new president should not exceed two years so as to allow the president and the board to mutually determine whether their governance partnership is sufficiently promising to meet the short-term leadership demands of the institution. The preferred path for successive terms would be one-year mutual commitments without automatic rollover thereby requiring annual reaffirmation by both the president and the full board.

  **Responsible:** Board Chair and Presidential Search Committee

  **Timing:** I.

- **Recommendation 60.** After the first year of incumbency of all presidents, the annual responsibility for setting strategic goals and objectives should shift from the board (Recommendation 58.) and become an expectation of presidential performance. These presidential strategic goals and objectives should, to the degree possible, be quantifiable and measurable and bear a specific connection to the institution’s strategic plan. The further expectation is that the president’s proposed goals and objectives will be the result of consultation and dialogue with the cabinet, faculty leadership and the faculty at-large so as to serve the objectives of (1) All governance
participants working from a common strategic agenda, (2) Bringing greater clarity to strategic decision-making and (3) Bringing greater clarity to the responsibilities for making those decisions. See also P&P-4 for additional discussion and recommendations relevant to the presidential performance appraisal process.

**Responsible:** Full Board  
**Timing:** III.

- **P&P-22:** Recommend policies and practices that align the work of the board with the president’s strategic vision for the institution.

- **Recommendation 61.** Annually, after the board approves the president’s statement of strategic goals and objectives, the committees of the board should align their annual agendas of work with those same goals and objectives. This effectively connects the board with the strategic direction of the institution.

  **Responsible:** Each Committee of the Board  
  **Timing:** III.

- **Recommendation 62.** The committees of the board should commit to a performance assessment process which at the end of each board year requires that all committees judge how well they have accomplished their adopted goals and objectives. Brief oral or written reports to the board should be scheduled as a regular agenda topic. When aggregated, these become the foundation for annually assessing the performance of the full board.

  **Responsible:** Each Committee of the Board and COT/COG to monitor  
  **Timing:** III.

- **P&P-23:** Recommend policies and practices that define the board’s expectations for collaborative governance relationships with its principal constituents (faculty, cabinet and students).

  - **Discussion:** There are no formal governance connections between the board, the faculty and students and informal contacts are infrequent. The board’s governance relationships with the cabinet are formalized through the process of staff liaisons to the committees of the board. There are no regularly scheduled programs that bring trustees in social contact with the faculty, cabinet and students. See also Recommendation 10 that proposes a process for inclusion of faculty, cabinet and student participation in a revised practice of presidential performance appraisal. Note that the recommendations which follow do not have as intended consequences: (1) Any erosion of the leadership authority of the president and (2) Are not an invitation or suggestion that trustees should engage in micro-management. Instead, in combination they are intended to build the strongest possible partnership between the board and the president and in turn with their governance constituents.

  - **Recommendation 63.** A policy and practice of formally admitting a Faculty Representative to the board of trustees should be adopted. The Faculty Representative should be selected through a process designed by the faculty. A Faculty Representative should serve a maximum term of three years. The Faculty Representative does not have voting privileges but is invited to attend all meetings of the full board of trustees except those conducted in executive session.

  **Responsible:** COT/COG  
  **Timing:** II.
• **Recommendation 64.** Faculty Representatives should attend all open sessions of the full board and appropriate meetings of committees of the board. They should prepare written reports for distribution to the trustees prior to each board meeting and then be given agenda time in full board session to deliver an oral summary. The expectation is that these faculty reports would be focused on issues of institutional strategy and policy and that they would express points of view held by a preponderance of faculty voices.

  *Responsible:* COT/COG  
  *Timing:* II.

• **Recommendation 65.** A policy and practice of formally admitting a Student Representative to the board of trustees should be adopted. There should be one Student Representative serving a one-year term. The Student Representative should be selected through a process designed within the system of student government. The Student Representative does not have voting privileges but is invited to attend all meetings of the full board of trustees except those conducted in executive session.

  *Responsible:* COT/COG  
  *Timing:* II.

• **Recommendation 66.** Invite Student Representative’s reports to the full board following the same format suggested in Recommendation 64.

  *Responsible:* COT/COG  
  *Timing:* II.

• **P&P-24:** Recommend practices that improve communications and understandings between the board and its governance constituents.

• **Recommendation 67.** Individual trustees and the board as a whole, notably in the work of its committees, should adopt those practices that encourage the highest level of candor with the implicit understanding that constructive dissent is desirable and will not invite repercussions.

  *Responsible:* COT/COG  
  *Timing:* I.

• **Recommendation 68.** The informal conduct and comportment of trustees outside of formal meetings of the board and its committees can influence the perception of the board of trustees as a responsible body of governance. To avoid the potential for negative perceptions, the board should adopt a code of conduct that expresses the following understandings: (1) There is only one voice, that of the chairman, authorized to speak for the full board, (2) While it is beneficial and it is encouraged for there to be open communications between trustees and the board’s constituents, that when those communications do not follow established lines of formal communication, trustees assume the responsibility to keep the board leadership apprised and (3) That when trustees are in dialogue on subjects relevant to board and institutional governance with members of the cabinet, faculty leadership, members of the faculty, students leaders and students that the president be included as a co-recipient of messages and otherwise informed that the dialogue is occurring. This recommendation should be reinforced during the orientation program for new
trustees and through the intervention of new trustee mentors. COT/COG should be responsible for drafting a revised Conflict of Interest policy that reflects the guidelines suggested in this recommendation.

Responsible: COT/COG

**Timing:** III.

- **Recommendation 69.** The board should adopt a strict code of conduct that enforces with penalties all violations of confidentiality.
  
  **Responsible:** COT/COG
  
  **Timing:** III.

- **P&P-25: Recommend policies and practices that express the board’s expectations for the faculty’s self-governance.**

  - **Recommendation 70.** Working with and through the president and the vice president for academic affairs, the Educational Affairs committee of the board should pursue agenda discussions that contribute to trustee understandings about topics of strategic significance such as: (1) Faculty productivity, (2) Curricular strengths and weaknesses, (3) Assessments of the leading fields of study.
  
  **Responsible:** President and Education Affairs Committee
  
  **Timing:** III.

  - **Recommendation 71.** Working with and through the president and the vice president for academic affairs, the Educational Affairs committee should encourage a system of faculty performance assessments that contributes to the strategic goal of highest possible faculty quality. These expectations might include: (1) Highest integrity and discipline for the process of tenure awards and (2) Introduction of a process of post tenure review.
  
  **Responsible:** President and Education Affairs Committee
  
  **Timing:** III.

  - **Recommendation 72.** Working with and through the president and the academic deans, the board should express an expectation that all new policy and program proposals include two channels of development: (1) An analysis of the program or policy in the context of the institution’s mission and strategic plan and (2) A financial analysis of the program or policy that fully sets forth the budget implications.
  
  **Responsible:** President and Education Affairs and Budget and Finance Committees
  
  **Timing:** III.

  - **Recommendation 73.** Working with the president and through the vice president for academic affairs, the Education Affairs committee of the board make explicit an expectation that the faculty initiate a comprehensive review of the “Faculty Policy & Practices Manual” and that a date be set for a joint trustee/faculty review of the Manual so as to (1) educate the trustees about the faculty’s governance practices and (2) encourage alignment of faculty and board governance practices where they intersect with institutional strategy and policy.
  
  **Responsible:** President and Education Affairs Committee
  
  **Timing:** I.
• P&P 26: Recommend policies and practices that express the board’s expectations for the cabinet’s self-governance.

• **Recommendation 74.** Working with and through the president, the board and its committees should engage the members of the cabinet as partners in the life and strategic future of the institution. Opportunities should be developed that place trustees and cabinet members in fora that encourage listening and constructive dialogue. Candor should be invited. Cabinet participation in the strategic dialogue should require a level of cabinet commitment and responsibility that exceeds that of a more narrowly defined “resource”. See also Recommendation 29.

  *Responsible: COT/COG*

  *Timing: III.*
BEST PRACTICES
Board of Trustees:
Selection of the Next Chair & Vice Chair

Twelve Best Practices to Guide the Process

1. The nominating process must be open and transparent. It must be perceived as a process that seeks the most qualified candidates.
2. At the end of the process there should be a genuine sense of ownership of the final selection.
3. The nominating process should be developed and run by an ad hoc committee and not by one of the standing committees of the board.
4. The ad hoc committee chair should be either the sitting (outgoing) chair, the immediate past-chair, an emeritus trustee or some other trustee whose impartiality and fairness are unquestioned by the board at large.
5. The ad hoc committee chair, however, should not have a vote.
6. The ad hoc nominating committee members should be from among the best and the brightest who are not themselves candidates for the chair and vice chair positions.
7. Wisdom and historical perspective should be added through non-voting emeriti.
8. No member of the ad hoc committee, regular or emeriti, should have either a real or perceived personal or advocacy interest in the outcome of the selection process.
9. While the president does not have a vote or a veto over the final selection, he should be informed periodically of the progress and direction of the committee’s deliberations so as to verify the likelihood of constructive collaboration between board chair and president.
10. The full board must feel included in the selection process. The board should endorse the process, be informed regularly of the committee’s work and progress, and have the opportunity to propose candidates that compete with the recommendation of the ad hoc committee.
11. The newly elected chair should play a central role in the design of a selection process for the next vice chair of the board.
12. While the central purpose of the selection process is to attract the most highly qualified candidates to the chair and vice chair positions, it is desirable that the incumbent in at least one of the positions resides in the vicinity of the university.
Millikin University
Board of Trustees
Selection of the Next Chair & Vice Chair

Application of the Best Practices to a Possible Process

Agenda Item for a Meeting of the Full Board: Current chair reminds the board in formal session that it is time to begin the process to select the next chair and vice-chair.

Proposed Process Steps: Communicated to the full board by the board chair.

Step 1: An Ad hoc Nominating Committee (NC) is formed one year prior to the anticipated retirement date for the sitting chair.

- COT/COG recommends a chair of NC for approval by the full board.
- COT/COG recommends a slate of three to five members of the NC for approval by the full board.
- The chair of NC facilitates the work of the committee but does not have a vote.
- Each member of the NC may cast one vote.
- No NC member shall be perceived to have a personal interest in the outcome.
- Two emeritus trustees should be invited to serve as advisors to the NC but they do not vote and must not be perceived to have an advocacy interest in any single candidacy.
- The full board understands that all trustees will have the opportunity at any time during the process to suggest and nominate candidates.

Step 2: NC meets face-to-face or by telephone and email to develop and discuss a statement of criteria.

- The statement should succinctly describe those attributes considered essential to a successful candidacy for chair of the board.
- The statement should be presented for discussion and endorsed by the full board at a meeting of the board four to six months prior to the retirement of the sitting chair.

Step 3: NC meets in face-to-face session(s) and concludes with a nomination for chair.

- NC chair keeps the president informed of candidates being considered. The president does not have a vote or a veto but this step recognizes the essential attribute of a working compatibility between the future board chair and president.
- NC committee chair talks to all candidates being actively considered to assure that they will serve if nominated.
- Unanimous vote of the NC is desirable but a majority vote rules.
- NC chair informs the nominee and the president of the NC vote.

Step 4: NC chair presents the nomination to the full board and invites competing nominations.

Step 5: The board elects the next chair from the final slate of candidates.

Step 6: NC chair and next chair recommend a process for selection of the next vice chair, reviewed with the COT/COG and endorsed by the full board.

Step 7: The board elects the next vice chair from the slate of candidates that emerges from the approved process.

Note 1: Steps 6 and 7 might be abbreviated should there be an obvious candidate for vice chair in which case the vice chair might be nominated and elected contemporaneously with the new chair.

Note 2. Candidates for chair and vice chair might be subject to term limitations should the board’s expectation for service exceed the maximum of nine years (three successive three-year terms) of trusteeship. The full board must decide whether the term limitation should be viewed flexibly to permit the completion of the board’s expectation for service as chair and vice chair or whether term limitations for either position should impose the selection of new candidates for the position(s).
RESPONSIBILITIES OF MILLIKIN UNIVERSITY’S BOARD OF TRUSTEES

1. To discharge faithfully the duties imposed by law, by the Charter of Millikin University, by the vision of James Millikin in combining both a liberal arts education with practical learning where the scientific, the practical and industrial shall have a place equal in importance, and by the By-Laws of the Board of Trustees of Millikin University.

2. To choose, advise, support, evaluate, and if necessary, replace the President of Millikin University.

3. It is the responsibility of a trustee to actively bring forward names of prospective trustees to the President and Board Secretary for consideration. Viable candidates will be brought forward to the Committee of Governance for review and discussion. Trustees should be willing to participate in the recruitment of trustee candidates, when deemed appropriate to do so.

4. To be familiar with the history, heritage and traditions of Millikin University.

5. To be knowledgeable about the Mission of Millikin University and how that Mission is embodied in delivering on the promise of education through both the curricular, co-curricular and extra-curricular activities, while also embracing the vision and values of the institution.

6. To assist the Administration in developing, critiquing, and approving the University’s long range strategic plan.

7. To plan, approve, and monitor the University’s investments and financial operations.

8. To contribute to the annual Millikin Fund and to the capital campaigns fund solicitations as generously as individual circumstances permit to assist in fundraising when called upon by the President and Vice President for Development by identifying, cultivating, and when deemed appropriate, assist in soliciting prospective donors.

9. To promote the Mission and reputation of Millikin University to the public.

10. To recognize that Millikin University’s Board of Trustees is but one important element of the Millikin community:

   • by taking into account the views and opinions of the administration, the faculty, the alumni, and the students;
   • by distinguishing carefully between statements of Board policy and opinions of individual trustees in communication with other members of the Millikin community and the public;
   • by respecting the authority, responsibilities, and prerogatives of the President and other university officers.

11. To volunteer or when requested, to serve actively on and/or chair Board committees and/or ad hoc committees important to the success of the University.

12. To participate actively and responsibly in Board meetings, listening to and considering
the views of other trustees for the betterment of Millikin, expressing one’s own views in a professional demeanor putting aside personal agendas, recognizing that sharp disagreements on specific issues can be debated and resolved in a spirit of harmony and mutual respect supporting the needs of the institution to further its success, and to close ranks and support decisions approved by the Board of Trustees as a whole.

13. To attend and participate in other University and alumni activities, schedule permitting, showing support of the institution and its constituency groups.

14. To evaluate rigorously one’s own performance as a trustee of the University, the performance and participation of other fellow trustees, the performance of the entire Board as a governing body, and the performance of the University as whole.

15. To voluntarily resign if unable to exercise, support, and embrace the responsibilities and commitments of a Millikin University trustee.

Adopted February 26, 2011

Responsible Party: Committee on Governance
Trustee Benefits

A picture identification card will be issued for each trustee as he/she begins trusteeship. This card can be utilized at any dining service facility on Millikin’s campus. There will be no charge for any food or beverage items consumed during the trustee’s tenure as a trustee.

A special rate has been secured for overnight stays at the Decatur Conference Center and Hotel for trustees. Please contact Marilyn Davis in the President’s Office for assistance.

Trustees visiting campus for board and/or committee meetings will have reserved parking in the Mills Lot off Oakland Avenue

Responsible Committee: Committee on Governance
Trustee Classes and Terms Procedures

Desired results:
1. Smooth transition of responsibilities between trustees
2. Consistent and regular departure and entry of trustees

Try to accomplish:
1. 1/9 of the Board transitioning off (and on) in any given year
2. Each trustee serving 9 years or slightly more

Procedure to classify a new trustee:
1. If the trustee begins service in the first half of the university year (approximately May through November):
   A. (Try to put the trustee in the “current” class – the class that began at the beginning of this university year.) Determine the number of trustees who are due to retire at the end of the university year 8 years after the end of the current year. For example, if we are in the first half of the 2003/2004 year, examine retirements at the end of the 2011/2012 year. If there are fewer than 4 trustees retiring at that time, assign the trustee to the current class.
      i. Result: the trustee will serve a maximum of 9 years
   B. (If the current class is full, try to put the trustee in the “next” class – the class that begins at the beginning of the next university year.) Determine the number of trustees who are due to retire at the end of the university year 9 years after the end of the current year. For example, if we are in the first half of the 2003/2004 year, examine retirements at the end of the 2012/2013 year. If there are fewer than 4 trustees retiring at that time, assign the trustee to that next class.
      i. Result: the trustee will serve a maximum of 10 years
   C. In the (unlikely) event that both the current class and the next class are full, assign the trustee to the following class.
      i. Result: the trustee will serve a maximum of 11 years
   D. Rationale for 4 trustees being a “full” retirement count: If the board is approximately 27 trustees, then 1/9 of them, or 3 trustees, should transition on and off each year. We added 1 to arrive at 4, to allow for the likelihood that one of the trustees in the group might retire early.)
2. If the trustee begins service in the second half of the university year (approximately December through April):
   A. (Try to put the trustee in the “next” class – the class that will begin at the beginning of the next university year.) Determine the number of trustees who are due to retire at the end of the university year 9 years after the end of the current year. For example, if we are in the second half of the 2003/2004 year, examine retirements at the end of the 2012/2013 year. If there are fewer than 4 trustees retiring at that time, assign the trustee to that next class.
      i. Result: the trustee will serve a maximum of a little more than 9 years
   B. (If the next class is full, try to put the trustee in the “following” class – the class that begins at the beginning of the following university year.) Determine the number of trustees who are due to retire at the end of the university year 10 years after the end of the current year. For example, if we are in the second half of the 2003/2004 year, examine retirements at the end of the 2013/2014 year. If there are fewer than 4 trustees retiring at that time, assign the trustee to that following class.
      i. Result: the trustee will serve a maximum of a little more than 10 years
C. In the (unlikely) event that both the next class and the following class are full, assign
the trustee to the class after that.
   i. Result: the trustee will serve a maximum of a little more than 11 years

**Other considerations:**
1. The more regular our election process (4 new trustees per year), the more likely each trustee
would serve 9 years
2. During trustee recruitment and initiation, explain the candidate’s anticipated term and class
3. At any point, of course, a trustee may resign

*Implemented December 12, 2003*

*Responsible Committee: Committee on Governance*
TRUSTEE EXPENSE REPORTING

Sample Expense Reporting Letter:

January 11, 2018

Dear Member of the Board of Trustees:

We greatly appreciate the time, energy and out-of-pocket costs you devote to Millikin University. The federal government appreciates your efforts too, and treats some of your costs as charitable contributions that you can deduct on your income tax return if you itemize. This letter tells about the tax aspects of the costs you incur in rendering gratuitous services.

You may deduct unreimbursed expenses that you incur incidental to your volunteer work. So, fares spent in going from home to our campus (or other places where you render services,) phone calls, postage stamps, stationery, and similar out-of-pocket costs are deductible as charitable donations.

You may deduct 14 cents per mile on your 2017 tax return in lieu of computing the costs of operating your car while doing volunteer work. If you use the cents-per-mile method, you may also deduct your unreimbursed parking and toll costs. Be sure to keep good odometer records. If you prefer, you can deduct your actual allowable expenses for gas and oil (tolls and parking too) provided you keep proper records (cancelled checks, travel diary.) However, insurance and depreciation on your car are not deductible.

If you travel as a volunteer and must be away from home overnight, reasonable payments for meals and lodging, as well as your transportation costs are deductible. Your out-of-pocket costs at a convention connected with your volunteer work are deductible only if you are chosen to represent your church, group, alumni body, etc.

To deduct unreimbursed expenses of $250 or more, you must substantiate the deduction with a written receipt and have the receipt in hand before you file your income tax return. If you file your return after the due date (or after an extended due date,) the receipt must nevertheless have been in your hand by the due date (plus any extensions.)

A volunteer who has unreimbursed expenditures of $250 or more while providing volunteer services to a charity is treated as having obtained a receipt from the charity (and thus may deduct those expenses) if the volunteer has adequate records for his or her volunteer expenses (those generally required to substantiate deductions) and obtains an abbreviated receipt from the charity. The receipt must contain: (1) a description of the volunteer’s services; (2) a statement whether the charity provided any goods or services in exchange for the unreimbursed expenses; (3) a description and good faith estimate of the value of any goods or services provided. If the goods or services provided consist of any intangible religious benefits, the receipt must so state; and (4) if no goods or services were provided, the receipt must so state.

You may not deduct travel expenses as charitable gifts if there is a significant element of personal pleasure, recreation or vacation in the travel. But enjoying your volunteer work doesn’t rule out a deduction. For example, an on-duty troop leader for a tax-exempt youth group who takes children
belonging to the group on a camping trip may deduct qualifying travel expenses even if he or she enjoys the trip or likes supervising children.

You may also deduct unreimbursed expenses you incur in operating your personal property while performing your volunteer work (e.g., the cost of film in using your camera). Here again, you may not deduct insurance and depreciation or the cost of the equipment.

And you may not deduct the value of your services. For example, suppose the prevailing rate for the services you render is $50 per hour. If you devote 100 hours during the year rendering those services for us, you may not deduct the $5,000 value of your services. Although deductions are allowed for property gifts, the IRS does not consider your services “property.” Also, the use of your home for meetings is not a “property contribution.”

Finally, it is up to you to substantiate your deductions if the IRS questions them. Be prepared to prove your costs with cancelled checks, receipted bills, diary entries, etc. Also be ready to show the connection between the costs and your volunteer work.

The tax aspects and reporting requirements for gifts to Millikin depend on your circumstances. As in all cases, we urge you to consult your adviser.

Thank you for furthering our cause with that most precious commodity: your time.

Most sincerely,

Charlie Hahn
Vice President for Alumni & Development
University Development
MEMORANDUM

TO: BOARD OF TRUSTEES

FROM: Charlie Hahn

DATE: February 1, 2018

SUBJ: CHARITABLE DEDUCTIONS FOR VOLUNTEER EXPENSES

As requested by the Board of Trustees, Marilyn Davis developed an expense form for your use throughout the 2017 tax year to track your volunteer expenses related to your service as a member of the Millikin University Board of Trustees. Attached is that form.

Also attached is another copy of the letter I sent you in January outlining the kinds of expenses related to your volunteer service, which may be considered for charitable deductions. It is important to note that you must log mileage and keep track of all receipts for expenses in order to claim them as a deduction.

Please keep the attached form and your receipts and submit them to me by January 15, 2018. I will send you a reminder shortly after New Year’s.

In the meantime, if you have tracked your expenses for the 2017 tax year, it is not too late to submit those expenses to me with receipts as long as you have not already filed your income tax return. You need to have my letter citing your expenses in your hands before you file.

Thanks so much for your service on the Millikin University Board of Trustees. If you have questions or need assistance, please give me a call at (217) 424-6330.

Attachments
MILLIKIN UNIVERSITY BOARD OF TRUSTEES
EXPENSE REPORT
JANUARY 2017 THROUGH DECEMBER 2017

Instructions:  1. Utilize this form to report expenses incurred attending Board and committee meetings, cultivation events, and other University business.
   2. Read the attached cover letter carefully detailing the guidelines for reporting expenses.
   3. Please complete and submit to Charlie Hahn, Vice President for Alumni & Development by January 14, 2018.
      **Do not send until after the tax years ends.**
   4. Attach receipts for all hotels, travel (except mileage) and other pertinent expenses incurred by trustee to attend committee or full board meetings of the Board of Trustees and expenses incurred attending cultivation events and other University business. Expenses incurred by any member of the trustee’s family or friends are at the trustee’s expense. Refer to the attached cover letter. Please give a brief but thorough explanation of the university business for which expense was incurred.

EXPENSES INCURRED TO ATTEND COMMITTEE MEETINGS HELD SEPARATELY FROM FULL BOARD MEETINGS, CULTIVATION EVENTS AND OTHER UNIVERSITY BUSINESS (i.e. postage, long distance calls, parking, etc.).

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## EXPENSES INCURRED TO ATTEND BOARD OF TRUSTEES MEETINGS

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**Totals:**

Submitted by:  ____________________________________  
Trustee’s Signature  Date

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Trustee Professional Resources

The Association of Governing Boards of Universities and Colleges
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Web Page:  www.agb.org
President:  Richard T. Ingram

Board Source
Publications Department, P.O. Box 92294
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Council of Independent of Independent Colleges
One Dupont Circle, Suite 320
Washington, D.C.  20036-1110
Phone:  202-466-7230
Fax:  202-466-7238
President:  Dr. Richard Ekman
1. PURPOSE AND APPLICABILITY:

This policy is to set forth Millikin University’s guidelines on disclosure of Misconduct (see Definitions, below), to protect members of the University community from Retaliation (see Definitions, below) for disclosing what they believe evidences unlawful practices or suspected Misconduct, and to deal with false allegations of Misconduct. More specifically it:

a. Encourages all employees of the University community to disclose to the appropriate University representative Misconduct engaged in by others so that prompt, corrective action can be taken;
b. Informs individuals how allegations of Misconduct may be disclosed;
c. Protects reporting individuals (Whistleblowers, see Definitions, below) from Retaliation taken within Millikin University as a result of having disclosed Misconduct; and
d. Provides individuals who believe they have been subject to Retaliation or false allegations, a fair process within the authority of Millikin University, to seek relief from these acts.

This policy is applicable to all employees of the University, including faculty, staff (includes all exempt and non-exempt employees), and student workers.

2. POLICY:

Millikin University encourages all employees of the University, including faculty, staff, and student workers to make known allegations of suspected or actual Misconduct existing within the University that s/he reasonably believes is fraudulent or constitutes a violation of Millikin’s financial policies, procedures or legal obligations.

It is further the policy of the University that:

a. Employees of the University may not take any employment or other action of reprisal against any individual(s) who discloses information regarding possible Misconduct under this policy or who, following such disclosure, seeks a remedy provided under this policy or any law or other Millikin University policy.
b. University employees may not directly or indirectly use or attempt to use their official authority or influence of their positions or offices for the purpose of interfering with the right of an individual to make a protected disclosure about matters within the scope of this policy.
c. An employee involved in Retaliation against a Whistleblower is subject to disciplinary action including suspension, termination, cancellation of a contract, removal from campus or any other action Millikin University deems necessary.
d. Individuals who knowingly file false or misleading reports, or without a reasonable belief as to truth or accuracy, will not be protected by this policy, and may also be subject to disciplinary action, up to and including termination of employment.
e. This policy does not prohibit an employment action that would have been taken regardless of a disclosure of information.

3. PROCEDURE:

a. For Disclosing Misconduct
i. Employees of the University are expected to disclose all relevant information regarding evidenced Misconduct to the reporting employee’s immediate supervisor, to the Director of Human Resources, to the Vice President for Finance and Business Affairs or other appropriate University administrator who the reporting employee feels comfortable contacting and who can address the allegations properly. Disclosures shall be made in a written and signed document within ninety (90) days of the day on which the Whistleblower knew of the Misconduct.

If the employee would rather contact a source outside the University, s/he may contact the Campus Conduct Hotline (Hotline) service by calling 1-866-943-5787 toll-free. The Hotline is available for use 24 hours/7 days a week. The Hotline is operated by an independent organization assuring that any disclosures made through the Hotline are completely confidential and anonymous. Sufficient information should be provided in order that an investigation may be conducted. The Hotline will report the allegation to the Director of Human Resources who will refer it to the appropriate Designated Official for follow up.

A brochure describing the process initiated through contact of the Hotline is available from Human Resources.

ii. Upon receipt of such information, either directly or as received through the Hotline, the Designated Official shall consider the disclosure, consult with others, as needed, and take whatever action s/he determines appropriate under the law or University policy and circumstances of the disclosure.

iii. In the case of disclosure of Misconduct involving someone who ordinarily would be the Designated Official, the disclosure shall be directed to the next level of supervision or his/her designee to consider the disclosure and take whatever action s/he determines appropriate under the law or University policy and circumstances of the disclosure.

iv. If the disclosure of Misconduct involves the President, the disclosure should be directed to the Chairman of the Board of Trustees or his/her designee.

v. The Designated Official will be responsible for:
   (1) Ensuring all investigations are carried out in a fair and unbiased manner.
   (2) Ensuring that Whistleblowers are treated fairly, their confidentiality is protected to the extent the law allows, and that no Retaliation takes place.

b. For Complaints of Retaliation as a Result of Disclosure or of False Allegations:

i. If an employee of the University believes that s/he has been retaliated against in the form of an adverse employment, academic or other action for disclosing information regarding Misconduct under this policy, s/he may file a written complaint requesting an appropriate remedy with the Designated Official, Director of Human Resources, or Vice President for Finance and Business Affairs or s/he may contact the Hotline.

ii. In fairness to all concerned, any individual making a protected disclosure or filing a complaint concerning a violation or suspected violation of this policy must exercise sound judgment to avoid baseless allegations, be acting in Good Faith and have reasonable grounds for believing the information disclosed indicates a violation of the
policy. If an employee feels a false allegation of Misconduct has been made then s/he may file a written complaint requesting an appropriate remedy with the Designated Official, Director of Human Resources, or Vice President for Finance and Business Affairs or s/he may contact the Hotline.

c. For Adjudication of Complaints Stemming from Disclosure

i. Individuals must file a complaint with the Designated Official within ninety (90) days from the effective date of the retaliatory action or from the date on which a false accusation was made. Individuals may choose to file their complaint by contacting the confidential Hotline service by calling 1-866-943-5787.

ii. If filed with a University Designated Official, complaints shall be filed in writing and shall include:

(1) Name and address of the complainant (whether Whistleblower or someone who believes s/he was falsely accused);
(2) Name and title of individual(s) against whom the complaint is made;
(3) The specific type(s) of adverse action(s) taken;
(4) The specific date(s) on which the adverse actions(s) was taken;
(5) A clear and concise statement of the facts that form the basis of the complaint;
(6) A clear and concise statement of the complainant’s explanation of how his or her previous disclosure of Misconduct is related to the adverse employment or other action; OR
(7) A clear and concise description of what the complainant believes was the false accusation; and
(8) A clear and concise statement of the remedy sought by the complainant.

iii. Within sixty (60) calendar days of receipt of the complaint, whether direct or through the Hotline, the Designated Official shall consider the written complaint, shall conduct or have conducted an investigation which, in his or her judgment, is consistent with the circumstances of the complaint and disclosure, and shall provide the complainant with a determination regarding the complaint.

iv. The determination shall be in writing and shall include the findings of fact, the conclusions of the investigation, and, if applicable, a specific and timely remedy consistent with the findings. The decision of the Designated Official shall be final.

4. METRICS:

Annually, the President or his/her designee will give a summary report of any actions under this policy to the Chair of the Audit Committee.

5. DEFINITIONS:

a. Designated Official:

The University employee who has the ultimate responsibility for responding to an allegation of Misconduct, Retaliation or False Accusation.

b. False Accusation:
An unfounded allegation of wrong doing.

c. Good Faith Report:

A disclosure or complaint made by a Whistleblower concerning a violation or suspected violation of University financial policy or fraudulent or illegal dealings and with reasonable grounds for the allegations.

d. Misconduct:

   i. a serious violation of University financial policy
   ii. unethical behavior
   iii. a violation of applicable state and/or federal laws and regulations
   iv. the use of University property, resources, or authority for personal gain or other non-University-related purpose except as provided under University policy
   v. Examples of Misconduct include, but are not limited to: fraudulent financial transactions or reporting; questionable accounting and/or internal controls; falsification of documents, illegal or unethical business practices; misappropriation or theft of funds; and impropriety in handling or reporting of money.

e. Retaliation:

   For purposes of this policy, retaliation is an adverse action which includes, but is not limited to:

   i. with regard to employment - discharge, demotion, suspension, being threatened or harassed, or in any other manner discriminated against with regard to compensation, terms, conditions or privileges of employment.
   ii. with regard to academics - dismissing, suspending or disciplining a student or changing or lowering a grade or evaluation of a student or in any other manner negatively affecting the student’s academic career;
   iii. with regard to harassment – spreading rumors whether orally or electronically, nondisclosure of information need for decision making, exclusion from events or meetings, shunning.

f. Staff:

   All exempt and non-exempt employees, whether referred to in other documents as staff, administration, exempt, non-exempt, etc.

g. Whistleblower:

   Whistleblower, as defined by this policy, is an employee of the University, including faculty, staff, and students workers, who report in Good Faith an activity that s/he considers to be illegal, dishonest, fraudulent, or a violation of University financial policy or procedures.

Approved by Board of Trustees on February 26, 2011

Responsible Committees: Audit Committee and Committee on Governance
**Procedure for Compensation Review of President**

1. The Board’s Compensation Committee has overall responsibility for the compensation review of the President.

2. The purpose of the process is to set the President’s annual compensation based on three factors:

   A. summative performance appraisal focused on annual goals, with consideration of the results of the evaluation conducted in the Spring;
   B. market analysis, especially peer and benchmark data;
   C. institutional needs.

3. The process begins annually in April when the Compensation Committee meets to consider items B and C above. Appropriate peer and benchmark data is provided from the Human Resources Office. The Director of Human Resources and the Vice President for Finance and Business Affairs serve as Advisors to the Compensation Committee.

4. The Compensation Committee will review the President’s performance, with the Evaluation Committee at a joint meeting of the committees.

5. The Compensation Committee will then discuss its compensation recommendation with the Evaluation Committee.

6. The Board Chair will discuss the Compensation Committee’s conclusions and compensation recommendation with the full Board in Executive Session, without the President in attendance. The Board will then approve the President’s compensation for the following year, and the Board Chair will then prepare the necessary written confirmation.

7. The Board Chair and President will meet privately to conclude the process.

*Update and Approved February 27, 2010*

*Responsible Committee: Compensation Committee*
1. The Board’s Evaluation Committee has overall responsibility for the annual comprehensive evaluation of the President.

2. The purpose of the process is to identify and acknowledge areas of accomplishment and strength and those areas for needed improvement and/or special emphasis. In addition, the results of this comprehensive evaluation will be valuable input during the President’s compensation review.

3. The evaluation process is dependent on annual establishment of goals and objectives for the institution, along with personal developmental goals for the President, which are agreed upon by the President and the Board. These goals and objectives should be in place by the beginning of the academic year. The Evaluation Committee is responsible for reviewing these goals to ensure that they are clear, measurable, and realistic.

4. The evaluation process begins annually in March, with
   A. analysis by the Evaluation Committee of the President’s previous year’s performance on measurable goals and objectives.
   B. completion by trustees of an evaluation survey
   C. completion by President of narrative self-evaluation focused on performance on goals, as well as items in the trustee survey and other appropriate topics
   D. completion by Cabinet members, Faculty leadership, selected Administration and Staff members, and Student leadership, of an evaluation survey
   E. (Trustees and other University constituencies may use different survey forms. All surveys would contain a mix of items pertaining to institutional and developmental goals.)
   F. (Some stated goals may be completed between March and May. The Evaluation Committee and the trustees will need to take this into account during the evaluation process.)

5. During April, the Evaluation Committee will review all materials, and will engage contributors in discussion to ensure that opinions on performance are fair and factually based. The Committee will then draft a written summary along with their overall conclusions.

6. The Committee Chair will review and discuss the report with the Board Chair and President to ensure the accuracy and fairness of judgments.

7. The Committee Chair will present the report for discussion by the full Board in Executive Session at the May meeting, both in Executive Session and with the President in attendance.

8. The Board Chair and the Evaluation Committee Chair will meet privately with the President to conclude the process, finalize the written report, and agree jointly on a plan for ongoing development in the coming year.
Towards the end of the Fall semester, the Board Chair and the Evaluation Committee Chair will meet privately with the President to informally discuss the President’s progress on the issues raised by the evaluation.

October 3, 2003

_responsible Committee: Evaluation Committee_
MILLIKIN UNIVERSITY

EVALUATION OF THE PRESIDENT

Trustee ______________________________________

Number of years on Board ________

Do you live in the Decatur Area? (please circle)  Yes  No

Please rate President Jeffcoat’s performance during the 2016-2017 fiscal year on the following criteria by circling the appropriate number following each answer:

5  =  Superior  -  Please add comments justifying your rating
4  =  Above Average  -  Add comments as desired
3  =  Average  -  Add comments as desired
2  =  Below Average  -  Please add comments for constructive criticism and suggested improvements
1  =  Poor  -  Please add comments for constructive criticism and suggested improvements
0  =  Insufficient Information

A. Presidential Effectiveness

I. Leadership

1. Instills respect and response from faculty and administrative staff toward building a strong institution.  5 4 3 2 1 0

2. Clear vision of Millikin’s goals and future direction for the University.  5 4 3 2 1 0

3. Provides leadership in developing and understanding institutional goals and objectives.  5 4 3 2 1 0

4. Ability to convince others of an idea, knowing how to be aggressive without being offensive or antagonistic.  5 4 3 2 1 0

5. Promotes esprit de corps and group identity within the campus community.  5 4 3 2 1 0

6. Supports others in their efforts to accomplish institutional changes.  5 4 3 2 1 0

7. Encourages and promotes long-range planning consistent with institutional need.  5 4 3 2 1 0

8. Handles crises and surprises with equanimity, dispatch, and wisdom.  5 4 3 2 1 0

Comments: ________________________________________________________________________

___________________________________________________________________________________
II. Decision-Making and Problem-Solving

1. Establishes standards of control, review, and follow-up to insure efficient and effective task completion by himself and others. 5 4 3 2 1 0
2. Ability to make sound, logical decisions, even under stress. 5 4 3 2 1 0
3. Competence to provide conflict resolution. 5 4 3 2 1 0
4. Ability to identify and analyze problems and issues confronting the Institution. 5 4 3 2 1 0
5. Ability to re-evaluate and if necessary retract decisions. 5 4 3 2 1 0
6. Well-organized and efficient in the accomplishment of his duties. 5 4 3 2 1 0

Comments: ____________________________________________

III. Personnel

1. Delegates appropriate responsibility to subordinates and supports them in carrying out their responsibilities. 5 4 3 2 1 0
2. Maintains the confidence and trust of those with whom he relates. 5 4 3 2 1 0
3. Exercises good judgment in dealing with sensitive issues regarding faculty/administrative/student relationships. 5 4 3 2 1 0
4. Gives due recognition to faculty/staff accomplishments. 5 4 3 2 1 0
5. Effective in forming, developing, and supervising an administrative network to implement policy. 5 4 3 2 1 0
6. Understands generally the method of working with and motivating subordinates and staff. 5 4 3 2 1 0
7. Shows sensitivity for those affected by decisions. 5 4 3 2 1 0

Comments: ____________________________________________

IV. Communication

1. Demonstrates accuracy and clarity in written and oral modes. 5 4 3 2 1 0
2. Accessible and promotes a feeling of openness in seeking the thinking of others.  5 4 3 2 1 0

3. Willing to discuss the rationale of administrative actions and decisions.  5 4 3 2 1 0

4. Credible and honest in face-to-face relationships with others.  5 4 3 2 1 0

5. Ability to relate with students as individuals and in groups.  5 4 3 2 1 0

Comments:

V. Academic

1. Well accepted as an academic leader, both on and off campus  5 4 3 2 1 0

2. Pushes hard to develop and enhance the academic quality of the institution.  5 4 3 2 1 0

3. Amenable to curricular change in response to student and societal interests and needs.  5 4 3 2 1 0

4. Aware of educational ideas, trends and innovations.  5 4 3 2 1 0

5. Takes initiatives in program and staff development.  5 4 3 2 1 0

Comments:

VI. Fiscal Management and Fund Raising

1. Ability to comprehend and evaluate fiscal and budgetary matters.  5 4 3 2 1 0

2. Possesses a good understanding of the institution’s financial needs.  5 4 3 2 1 0

3. Endorses and provides sound fiscal management, including the ability to address budgetary matters in a way that achieves more efficient and effective use of resources.  5 4 3 2 1 0

4. Favorable record of attracting funds to the institution.  5 4 3 2 1 0

5. Committed to the Capital Campaign.  5 4 3 2 1 0
VII. Board Relations

1. Maintains close working relationship with Board Chair and Vice Chair.  5 4 3 2 1 0
2. Assists Chairman and Board in accomplishment of their goals.  5 4 3 2 1 0
3. Ensures sufficient and appropriate materials sent in advance of Board meetings.  5 4 3 2 1 0
4. Ensures significant issues receive adequate Board discussion, especially prior to any necessary action.  5 4 3 2 1 0
5. Ensures Board is well informed on educational trends and issues.  5 4 3 2 1 0
6. Maintains effective communication between meetings.  5 4 3 2 1 0
7. Guides senior staff in their work with the Board Committees  5 4 3 2 1 0
8. Ensures effective recruitment and initiation of new Board members.  5 4 3 2 1 0
9. Encourages participative decision-making, seeking input from those most directly affected.  5 4 3 2 1 0

Comments: ______________________________________________________________________
___________________________________________________________________________________

VIII. External Relations

1. Represents the institution in a positive manner to its various publics.  5 4 3 2 1 0
2. Conveys a positive and progressive image of the University.  5 4 3 2 1 0
3. Ability to relate to and contribute to the local community.  5 4 3 2 1 0
4. Brings regional and national visibility to the University.  5 4 3 2 1 0

Comments: ______________________________________________________________________
___________________________________________________________________________________
B. **General**

In summary, rate his overall performance during the 2016-2017 fiscal year.  

5  4  3  2  1  0

C. **General Comments**

______________________________________________________________________________________

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Self-Evaluation of Trustee Performance

1. The Board’s Evaluation Committee has overall responsibility to coordinate the annual self-evaluation of the Trustees.

2. The purpose of the process is developmental – that is, designed to identify and acknowledge areas of trustee activity which require special emphasis and/or needed improvement.

3. The process begins annually in January with each trustee’s completion of two evaluation surveys:
   A. Self-evaluation of individual trustee performance
   B. Self-evaluation of Board performance

4. The Evaluation Committee will review all materials, compile the results, and draft a brief written summary of the principal findings.

5. The Committee Chair will review and discuss the report with the Board Chair and President to ensure the accuracy and fairness of judgments.

6. The Committee Chair will present the report for discussion by the full board in Executive Session at the Winter meeting, with the President in attendance.

7. The Board Chair will consider the report and discussion, to determine a plan for ongoing Trustee and Board development for the upcoming year.

10/23/01

Responsible Committee: Evaluation Committee
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<th>Adequate</th>
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<td>1. Board meeting attendance</td>
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<td>3. Preparing to participate and contribute at meetings</td>
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<td>4. Participating in discussions in a meaningful way</td>
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<td>13. Serving as an advocate for the University</td>
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<td>14. Respecting the views of other trustees and being sensitive to working together as a team</td>
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### Structure of the Board

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<td>16.</td>
<td>The composition of the Board with regard to background and demographic factors, personal and professional interest, talents, and points of view</td>
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<td>17.</td>
<td>The method of selection of new Board members</td>
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<td>The orientation process for new Board members</td>
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<td>19.</td>
<td>The committee structure of the Board</td>
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### Practices of the Board

(If you need additional room for comments and suggestions, please use page 4.)

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<td>The pre-meeting package of informational material forwarded to the Board in preparation for meetings</td>
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<td>Quality of discussion at meetings</td>
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<td>25.</td>
<td>President’s (and staff) reports at Board meetings</td>
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<td>Committee reports at Board meetings</td>
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<td>Methods by which the Board makes decisions</td>
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<td>The overall division of time at meetings between routine matters and strategic and policy issues</td>
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<td>Performance of the Board</td>
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<td>30. Advancing the mission of the institution</td>
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<td>31. Approving short- &amp; long-term goals for the institution</td>
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<td>32. Achieving specific Board goals</td>
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<td>33. Focusing the Board’s time and attention appropriately on the critical issues</td>
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<td>34. Measuring the progress of the president in achieving institutional goals</td>
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<td>35. Providing educational oversight</td>
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<td>36. Providing financial oversight</td>
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<td>37. Leading and supporting annual and campaign fundraising activities</td>
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<td>38. Acquiring external opinion regarding the institution’s progress</td>
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<td>39. Cooperation among board members; acting as a team</td>
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<td><strong>Performance of Board members (overall)</strong></td>
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<td>40. Attendance at Board meetings</td>
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Comments:

The self-evaluation forms will be viewed and held in the strictest of confidence by Sue Pilling, Chair of the Evaluation Committee, and Marilyn Davis, Board Secretary, who assists in compiling the summary report. Chair Pilling will share the anonymous summary report of the Board’s 2016-2017 self-evaluation in Executive Session at the February 17, 2017 official winter meeting to be held in Decatur, Illinois.
Facilities Policy regarding Competitive Bidding

1. Purpose:
   a. The University believes that a competitive bid process is a primary tool for achieving the best combination of quality, cost and timeliness for its campus construction projects.
   b. To encourage local construction vendors to actively participate in the University bidding process so that the University may achieve its construction objectives.

2. Policy:
   a. Most University projects over $250,000 should use the University bid process.
      i. If, in staff’s judgment, a bid process could produce a better quality, lower cost project and meet project deadlines, the project will use the University bid process.
      ii. This policy will not apply for emergency repairs, which will be handled as the situation dictates to insure safety and security or to protect property.
   b. While the University recognizes the value of using a bid process, it also acknowledges there are times when it may not be appropriate and specifically reserves the right to use other criteria, processes, and tools to achieve its facilities objectives.

3. Procedure:
   a. The Facilities Operations department (Facilities) will issue a formal or informal Request for Proposal (RFP) describing the project, timelines, budget, and process.
   b. The University generally follows an invited bid process.
      i. In this process, the University requests vendors to submit documents and references regarding their qualifications for the project, financial condition, and other information.
      ii. Any interested vendor may submit documents and references, requesting to be placed on the ‘invited vendor’ list.
   c. After review with the University staff, project architects and engineers, as appropriate, the University invites selected and qualified vendors to submit bids for the specified project.
      i. The University has a number of bid and non-bid opportunities to work with vendors and evaluate a vendor’s capabilities and quality of work, and specifically reserves the right to use these observations in preparing the ‘invited vendor’ list.
   d. If a project uses the bid process, the University will review the bids and evaluate the bid submissions and post-qualify the subcontractors with project architects, engineers and consultants as appropriate. It may request additional information from any one or all of the vendors to ensure that project will result in the highest quality, lowest cost project for the University.
   e. After evaluation, the University generally awards the bid to the lowest bidder, but specifically reserves the right to select a vendor other than the low-bid vendor, rebid the project, or execute the project with University staff.
f. Metrics:
   a. TBD

g. Definitions:
   a.

Revised: February, 27, 2010
Facilities Policy regarding Designation and Purchase of Priority Properties

1. Purpose:
   This Policy was developed to govern the acquisition and disposal of real property by the University and which is located within Macon County.
   
   a. Historically, the University has acquired or disposed of property to facilitate recreational and residential opportunities that otherwise could not have been possible within the original campus boundaries.
   b. Property has also been acquired to facilitate control of the periphery of campus and for the enhancement of student security.

   This policy does not cover farm property, which is part of the Endowment and is under the purview of the Investment Committee of the Board of Trustees.

2. Policy:
   a. To facilitate decision making for the above property acquisition purposes, property has been designated into strategic priorities, per the attached Exhibit I.
   b. As limited by the University’s annual operating budget, and as necessary to achieve its objectives, the Administration may continue to acquire Priority 1 properties. The Administration is hereby authorized a $50,000 limit in acquiring Priority 1 properties. Amounts beyond the stated limit require approval of the Facilities Committee and recommendation of the Budget and Finance Committee, but no further Board action is required. The Chair of the Facilities committee shall be notified before any Priority 1 property acquisition is executed.
   c. The University may acquire Priority 2 properties as approved by resolution passed by the Facilities Committee as well as the Budget and Finance Committee and approved by the full Board.
   d. Properties within Priority 3 shall be liquidated. Sales of Priority 3 properties must take place at no less than 80% of appraised value unless waived by the Chair of the Facilities Committee.
   e. Property may not be acquired using the proceeds of the University endowment or other restricted funds without a resolution passed by the Facilities Committee, the Investment Committee, and approved by the full Board.

3. Procedure:
   The following acquisition/disposal categories are defined and are shown in Exhibit I:
   a. Priority 1 is the remainder of the block bounded by West Main, West Wood, Fairview, and McClellan Avenue.
   b. Priority 2 is defined as any single lot bordering the west side of Fairview from Wood Street to Sunset Avenue.
   c. Priority 3 are a few lots scattered south and east of the main campus and identified on Exhibit I
4. Metrics:
   a. n/a

5. Definitions:
   a. none needed

*Implemented August 23, 1994
*Revised May 16, 2009

<table>
<thead>
<tr>
<th>Property Area Designations</th>
<th>P2 – Priority 2</th>
<th>P3 – Priority 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority 1</td>
<td>Possible President’s Home Location – ●</td>
<td>Campus Property</td>
</tr>
</tbody>
</table>
INVESTMENT POLICY STATEMENT
FOR THE ENDOWMENT

Adopted: by the Board of Trustees
November 8, 2008
Revised: May 16, 2009 (Asset Allocation Ranges)
Revised: November 7, 2009 (Asset Allocation Ranges)
Revised: February 27, 2010 (Asset Allocation Ranges)
Revised: May 15, 2010 (Asset Allocation Ranges; Tabor Investment Portfolio)
Revised: November 6, 2010 (general review)
Revised: May 16, 2015 (Tabor Investment Portfolio, Appendix C)
Revised: May 16, 2020 (Spending Rule Increase)
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<tr>
<td>Appendix C</td>
<td>148</td>
</tr>
</tbody>
</table>
Executive Summary

- The Endowment is a collective set of assets set aside in perpetuity to support the mission of the institution. It may consist of several components. These include the Pooled Endowment, Oil and Gas Properties, Real Property, Annuities, and certain Third-Party Trusts (Trusts). Each of these components, with the exception of Trusts, is governed by the investment and management policies contained in this document.

- The Board of Trustees (Board), in consultation with the University Administration, is ultimately responsible for the stewardship of the Endowment. The Board acts upon the recommendations of the Board-appointed Investment Committee (Committee).

- The Committee is responsible for establishing the Investment Policy Statement (IPS). The IPS contains such guidelines as: portfolio asset allocation parameters, permissible asset classes, acceptable portfolio risk level, investment objective, time horizon, investment management, and performance measurement benchmarks.

- The Objective (Objective) of the Endowment is to achieve a total return equal to or in excess of the University’s financial requirements over the Time Horizon. Specifically, the Objective is to earn a total rate of return that will meet or exceed the sum of the Endowment’s spending rate, anticipated inflation, investment management/consulting fees plus administrative costs, along with obtaining a real growth factor of 1-2%.

- The Committee may engage an external Investment Advisor(s) (Advisor) to assist in structuring the IPS, in the selection of investment managers (Manager), and in monitoring of the Endowment’s financial performance, among other duties.

- Managers are required to demonstrate performance commensurate with risk. Managers are required to follow guidelines or restrictions that are established by both the Advisor and the Millikin IPS.

- The Administration is the liaison between the Committee and the Advisor and handles day-to-day activities.

- This IPS has been updated to incorporate the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the State of Illinois 6/30/09 (Appendix B).

- The student managed fund, Tabor Investment Portfolio (TIP), established by the Board in May of 2010, is part of the Millikin Endowment. The TIP IPS is incorporated by reference (Appendix C) into the University IPS.

- Asset Allocation (Appendix A) has been redefined to the three major classifications, giving the Investment Committee the ability to make timely changes among subcategories.
INTRODUCTION AND PURPOSE

The intent of this IPS is to delineate policies and procedures specific enough to define, implement, and manage an investment strategy along with control procedures that reflect the Board’s directives, thereby providing the Committee with clearly defined policies and objectives. These policies and objectives are intended to govern the investment activity, with sufficient flexibility in order to be practical. The greatest concern of the Board and the Committee is the long-term performance of the Endowment.

In addition, the IPS will provide guidance to avoid unnecessary differences of opinion and resulting conflicts, minimize the possibility of missteps due to a lack of clear guidelines, establish a reasoned basis for measuring compliance, and establish and communicate reasonable and clear expectations with donors.

GENERAL INVESTMENT PHILOSOPHY

The Objective of the Endowment is to provide a real rate of return over inflation sufficient to support in perpetuity the mission of the University, thereby maintaining intergeneration equity. Specifically, management of the Endowment will be guided by the following purposes:

- To provide annual support to the operating budget of the University
- To provide support to the University’s scholarship programs and other designated activities
- To preserve the capital included in the Permanent Endowment (intergenerational equity)
- To sustain efforts in meeting the University’s mission

Scope of Policy

This IPS applies to all investable assets of the Endowment and to all parties, including the TIP. Third-party Trusts are excepted since, by definition, these entities are managed by parties independent of the University, who is merely the beneficiary.

Definition of Endowment

The Endowment is a group of funds usually established in two ways. Funds bestowed by donors for a specific purpose such as scholarships, are referred to as Permanent (or sometimes as Permanently Restricted) endowment funds. Funds added to the Endowment by Board or governmental direction from other sources such as budget surpluses and proceeds from the sale of assets are termed Quasi-endowment. Except as otherwise provided by law, the Board must actively designate funds as Quasi-endowment. The Board may change the designation of Quasi-
endowment funds at any time. Taken together, the Permanent and Quasi- funds comprise the Endowment, which is intended to exist in perpetuity with the purpose of producing a stream of resources for the beneficiary.

All endowment funds are invested in various vehicles as described in this IPS. Distributions from the Endowment will be made in accordance with the Spending Policy applicable to the type of investment vehicles (see below).

**INVESTMENT POLICIES AND OBJECTIVES**

**Performance:** The following criteria shall serve to measure performance and are net of (after) investment expense.

1. Over a rolling ten-year period, total Endowment assets should achieve an annualized nominal rate of return equal to or greater than that of the Objective (as defined below).

2. Total Endowment assets should return, over trailing twelve month periods, a nominal rate of return greater than or equal to a composite index created by combining various indices in the same proportion as the Endowment’s target allocation (as described in the “Asset Allocation” section of the IPS).

3. In general, active managers will be expected to provide returns greater than their appropriate benchmark, net of fees, while utilizing acceptable risk levels, over moving twelve quarter periods. In contrast, index, or passive managers, will be expected to provide returns nearly identical to the appropriate benchmark, before reasonable fees, with no more volatility than the benchmark.

4. The purpose of the TIP portion of the endowment is primarily to be a part of the curriculum educating certain Finance students; therefore, its performance is not required to meet the above measurement criteria.

**Volatility and Risk:** The Committee believes that the Objective can be achieved while assuming acceptable risk levels commensurate with “market” volatility and return targets. “Market” volatility is defined as the trailing twelve month standard deviation of investment returns (based on monthly data) of the benchmark indices. However, portfolios that support mission-based organizations have additional risk standards compared to other types of investment pools. These include a Time Horizon that is perpetual; effectiveness in producing a steady and growing stream of distributions that at least keeps pace with inflation; inflation measures that are generally higher than those for consumers; and reputation effect of poor investment results.

**Liquidity:** At times, cash may be required to satisfy the needs of the University. The Endowment should have sufficient liquid assets to meet such foreseeable requirements.

**Time Horizon:** The Endowment has an infinite life. For purposes of the IPS, an investment Time Horizon of fifty years is appropriate.
Taxes: The Endowment is tax-exempt.

Objective: The long-term net compound return is defined as the rate of return for the Endowment over the Time Horizon. The Objective is constructed from the Spending Rate plus an assumed rate of inflation plus any desired real portfolio growth, net of management fees. These components may each vary from year to year; however, the chart below is meant to represent the expectation over the Time Horizon. These items and their function in the overall return target are established below:

<table>
<thead>
<tr>
<th>Components of Long-Term Objective as of 6/30/10 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending Rate (2)</td>
</tr>
<tr>
<td>Inflation Rate</td>
</tr>
<tr>
<td>Real Portfolio Growth</td>
</tr>
<tr>
<td>Long-Term Return Objective (Net of Fees)</td>
</tr>
</tbody>
</table>

NOTES:
1. Objectives will change with investment environment; updates are included in Quarterly Investment Reports (QIR) from Hammond Associate
2. Spending Rate formula changed by Board action, see below

Total Return: The Board has adopted a “total return” approach to calculating investment returns, that is; return from both income and net realized and unrealized capital gains. When distributions are made, they will be withdrawn from the Endowment regardless of the portion of the total return that is from capital gains or from income.

Asset Allocation: The single most important component of Endowment management is asset allocation. It is the responsibility of the Committee to identify the asset allocation that offers the highest probability of achieving the Endowment Objective, at reasonable risk. The Committee, with guidance and recommendations from the Advisor, shall review the asset mix and may recommend revisions.

The asset allocation shall be determined based on a comprehensive asset allocation study completed by the Advisor and discussed by the Committee. The asset allocation of the Endowment, as presented in Appendix A, is designed to give balance to the overall structure of the Endowment’s investment program over the Time Horizon. However, many factors over time may necessitate an asset allocation review and possible rebalancing.

Portfolio Rebalancing: Since asset allocation is the most critical component of the Endowment’s returns, it may be desirable to rebalance the Endowment periodically to minimize deviations from the asset allocation.
The Committee may rebalance the Endowment to achieve the asset allocation at any time. However, the Endowment shall be rebalanced in the event any individual marketable asset class differs from policy ranges by more than 20% of the target weight, but with a minimum deviation threshold of 2% of the total portfolio value.

The Advisor will inform the Administration at the close of any month in which rebalancing the Endowment is necessary. The Advisor, together with the Administration, will complete the rebalancing process and notify the Committee. The Advisor will assist the Administration as needed in implementing such rebalancing.

Additions and withdrawals of funds may also be used to accomplish rebalancing.

**Spending Rate Policy:**

UPMIFA no longer requires Permanently Restricted funds (Funds) to be maintained annually at historic dollar value (HDV), but “subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.” (UPMIFA, Section 4.a.)

The Board recognizes that over the long time frame inherent in endowments, financial markets will fall and rise such that the market value of Funds may decrease, but will also gain value which may result in the original gift value being restored or even exceeded. Therefore, while the preservation of Funds will retain the definition of 100% of HDV, Spending Rule may be applied to Funds at less than 100% HDV at a particular point in time.

Below are the Spending Rate policies that are applicable to the various types of vehicles in which the Endowment is invested.

- From the Pooled Endowment –
  - As part of the annual budget process, specifically during the setting of the Budget Parameters, the Spending Rate from the Pooled Endowment (Draw) will be reviewed by the Committee in light of evolving trends with respect to investment performance as well as the needs of the University. The Committee will recommend the Draw guidelines for the upcoming fiscal year to the Budget and Finance committee who will incorporate it into the budget process. Below is the procedure that is currently in effect (implemented July 1, 2009 and in effect until changed by the Committee) for calculating the Draw (see Appendix D for an illustration of the calculation methodology).
    - the prior year Draw shall be increased by a percent equal to the average of the last five years’ inflation rate;
    - the total Draw must fall within 3.5% and 8.1% of the previous 12 quarter market value average; should the Draw fall outside this range, the Draw shall be increase to 3.5% or lowered to 8.1% as appropriate;
• to the above shall be added a Draw amount on new gifts which have been in the pooled endowment for at least a year; the Draw on these gifts will be calculated at 4.5% of the original gift value and added to the above;

  o From time to time the Administration may recommend a different methodology to the Committee for review and concurrence.

  o The Board on occasion may approve additional Endowment withdrawals from the Quasi-endowment for special needs. Examples might include providing seed money for a special academic initiative or to start architectural planning for a building.

• From Farm Properties –
  o Net income used to offset unfunded tuition discount.

• From Oil and Gas –
  o Net income to be used for repayment of debt principal.

• From Annuities –
  o To fund payments to annuitants.

Manager Selection: In selecting Managers, the Committee may rely on the research provided by the Advisor or other reliable sources of information. Managers are expected to fit within the Asset Allocation framework. Criteria for evaluating Managers may vary, but should include at least the following: time in business, track record of performance, management stability, fees, peer rankings, and other key statistics such as funds under management, number of holdings, tracking error, and volatility.

Fees: Fees for the Advisor, Custodian, Managers, and others will be negotiated from time to time and agreed upon in writing. The payment of the fees is from Pooled Endowment earnings and earnings are reflected net of fees. These fees are not considered to be part of the annual operating expenses of the University, nor covered by the annual Draw.
RESPONSIBILITIES

Board

The Board approves the investment policy and is responsible for the overall stewardship of the Endowment. The Board has delegated to the Committee the responsibility to oversee the Endowment’s investment activities.

The Committee

The Committee has the responsibility to ensure that the assets of the Endowment are managed in a manner that is consistent with the IPS. In so doing, the Committee will comply with all applicable laws.

The Committee members are required to discharge their duties solely in the interest of the University and for the exclusive purpose of meeting the financial needs of the University. The Committee is authorized to engage the services of an Advisor who, among other duties, will assist in the selection of Managers who possess the necessary capabilities and skills to meet the investment objectives and guidelines of the Endowment.

The Committee’s responsibilities include:

1. Develop and recommend to the Board investment objectives that are consistent with the financial needs of the University, and an asset allocation consistent with meeting those objectives at reasonable risk; make these recommendations to the Board, presenting a thorough discussion of each recommendation and of the underlying rationale;

2. Delegate the management of the investments;

3. Follow a due-diligence process in selecting an Investment Advisor;

4. Review and evaluate investment results to assure compliance with the IPS and laws and regulations;

5. Annually recommend, in conjunction with the Budget and Finance Committee, Draw guidelines to the Board;

6. Annually review the performance of the Investment Advisor;

7. Quarterly review the endowment results;

8. Annually review the Asset Allocation;

9. Review the entire IPS at least once every three years; and

10. Have thorough discussions and review of the data and rationale before undertaking changes in investment strategy, selection of investment managers or other investment vehicle.
**Administration**

Administrators serve to execute the day-to-day management of the Endowment within the parameters of this IPS and the directives of the Committee. Administration’s responsibilities include:

1. Act as liaison between the Committee and the Investment Advisor; recommend and set meeting agendas to ensure discussion of the highest priority/impact items; ensure that meetings minutes are recorded;
2. Organize Committee meetings and implement actions voted on by the Committee or in accordance with the IPS;
3. Record transactional activity to accurately reflect Endowment valuation on the University’s financial statements; and
4. Provide reports as requested by the Committee.

**Advisor**

The Committee may elect to engage an independent Advisor to assist the Committee’s activities. The Advisor is expected to be proactive. The Advisor’s responsibilities are as follows:

1. Assist in the development of investment policies, objectives, and guidelines;
2. Prepare asset allocation analyses as necessary and recommend asset allocation strategies with respect to the Endowment’s Objective;
3. Prepare research and recommendations to assist the Committee in the selection of Investment Managers;
4. Prepare and present performance evaluation reports in accordance with promulgated standards of the Association of Investment Management and Research;
5. Attend Committee meetings to present performance reports no less than quarterly and at other meetings as requested;
6. Review contracts and fees for both current and proposed Investment Managers and Custodians;
7. Provide research on specific issues and opportunities, and assist the Committee in special tasks, as requested;
8. Assist in rebalancing the Portfolio;
9. Communicate investment policies and objectives to the Investment Managers, and monitor their adherence to such policy and report non-compliance;
10. Notify the Committee of any significant changes in personnel or ownership of the Advisor firm;

11. Notify the Committee of any significant changes in portfolio managers, personnel or ownership of any investment management firm hired by the Endowment;

12. Notify the Committee of any litigation or commencement of a regulatory administrative proceeding or enforcement action in which the Advisor or any Investment Manager is involved;

13. Coordinate the guidelines for the individual managers to assure consistency with the Endowment Objective;

14. Secure written service contracts for Managers; and

15. Overall, be proactive with the Administration of the University and the Committee in the management of the Endowment.

**Investment Managers**

Investment Managers are expected to pursue their own investment strategies that reflect the style and purpose for which they were chosen and in accordance with the Endowment’s asset allocation strategy and manager selection criteria.

The Investment Managers’ responsibilities are as follows:

1. Invest assets under their management in accordance with the style for which they were selected;
2. Exercise discretionary authority over the assets entrusted to them, subject to these guidelines and restrictions;
3. Provide written documentation of portfolio activity, portfolio valuations, performance data, and portfolio characteristics on a monthly basis in addition to other information as requested by the Committee or Advisor;
4. Vote proxies for the assets under management (companies held within the portfolio) in the best interest of the Endowment; and
5. Annually provide to the Endowment either a copy of the investment advisor's form ADV Part II (SEC required disclosure document), a copy of the investment company’s annual report, and/or a copy of the fund’s updated prospectus (SEC requirement at the end of the fiscal year).
**Custodian(s)**

The Custodians’ responsibilities are as follows:

1. Provide monthly reports detailing investment holdings and Endowment transactions to the Administration and Advisor.

2. Provide an annual summary report to the Administration and Advisor within thirty days following each fiscal year end. The report will include the following:
   
   a. Statement of all property on hand;
   b. Statement of all property received representing contributions to the Endowment;
   c. Statement of all sales, redemptions, and principal payments;
   d. Statement of all spending from the Endowment;
   e. Statement of all expenses paid;
   f. Statement of all purchases; and
   g. Statement of all income.


**OTHER**

**Procedure for Revising the Investment Policy Statement (IPS)**

It is important to update the IPS in response to financial, regulatory and legal trends and changes, as well as internal circumstances. Therefore the IPS will be reviewed in full at least every three years by the Committee or more frequently, if conditions warrant. The Board must approve material changes to the Statement.

To assess whether the Asset Allocation still meets objectives, given current market and economic projections and expected asset class and sector rates of return, the Asset Allocation will be reviewed annually. Changes in Asset Allocation as shown in Appendix A are considered to be material changes and shall be approved by the Board. Changes of among asset subcategories are subject only to approval by the Committee.
Conflicts of Interest

All persons responsible for investment decisions or who are involved in the management of the Endowment or who are consulting to, or providing any advice whatsoever to the Committee, shall disclose in writing at the beginning of any discussion or consideration by the Committee, any relationships, material beneficial ownership, or other material interest(s) which the person has or may reasonably be expected to have, with respect to any investment issue under consideration. The Committee may require such persons to remove themselves from the decision-making process.

Any members of the Committee responsible for investment decisions or who are involved in the management of the Endowment shall refuse any remuneration, commission, gift, favor, service or benefit that might reasonably tend to influence them in the discharge of their duties, except as disclosed in writing to and agreed upon in writing by the Committee. The intent of this provision is to eliminate conflicts of interest between Committee membership and the Endowment. Failure to disclose any material benefit shall be grounds for immediate removal from the Committee. This provision shall not preclude the payment of ordinary fees and expenses to the Endowment’s custodian(s), Investment Managers, or Advisor in the course of their services on behalf of the Endowment.

Fiduciaries

All parties to the management of the Endowment are considered to be fiduciaries. As such they are required to operate within all laws, regulations, and compliance measures, including the UPMIFA as in force in the State of Illinois, and to act in a prudent manner.

It should also be emphasized that fiduciaries carry the additional responsibility to act with stewardship; covenant with the institution to protect its best interests; and make personal commitments to do the right thing.

Gift Policy

The Administration will abide by the University’s Gift Policy in receiving and processing of security or real asset gifts to the Endowment.

* * * * *

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APPENDIX A

ASSET ALLOCATION TARGETS

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Target Policy</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Growth Assets (1)</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>Total Risk Reduction Assets (2)</td>
<td>22%</td>
<td>32%</td>
<td>42%</td>
</tr>
<tr>
<td>Total Inflation Protection Assets (3)</td>
<td>8%</td>
<td>18%</td>
<td>28%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
2. Risk Reduction Assets subcategories include: US Fixed Income, Global Fixed Income, Hedge Funds
3. Inflation Protection Assets subcategories include: Inflation-protected Fixed Income, Real Assets
NOTE: On June 30, 2009, the State of Illinois enacted, and made effective, the UPMIFA. As a result, several aspect of the IPS were reviewed and revised and are incorporated into this document. These revisions are effective 7/1/2009.)

Public Act 096-0029

AN ACT concerning institutional funds.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

Section 1. Short title. This Act may be cited as the Uniform Prudent Management of Institutional Funds Act.

Section 2. Definitions. In this Act:

(1) "Charitable purpose" means the relief of poverty, the advancement of education or religion, the promotion of health, the promotion of a governmental purpose, or any other purpose the achievement of which is beneficial to the community.

(2) "Endowment fund" means an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis. The term does not include assets that an institution designates as an endowment fund for its own use.

(3) "Gift instrument" means a record or records, including an institutional solicitation, under which property is granted to, transferred to, or held by an institution as an institutional fund.

(4) "Institution" means:

(A) a person, other than an individual, organized and operated exclusively for charitable purposes;

(B) a government or governmental subdivision, agency, or instrumentality, to the extent that it holds funds exclusively for a charitable purpose; or
(C) a trust that had both charitable and noncharitable interests, after all noncharitable interests have terminated.

(5) "Institutional fund" means a fund held by an institution exclusively for charitable purposes. The term does not include:

(A) program-related assets;

(B) a fund held for an institution by a trustee that is not an institution; or

(C) a fund in which a beneficiary that is not an institution has an interest, other than an interest that could arise upon violation or failure of the purposes of the fund.

(6) "Person" means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, joint venture, public corporation, government or governmental subdivision, agency, or instrumentality, or any other legal or commercial entity.

(7) "Program-related asset" means an asset held by an institution primarily to accomplish a charitable purpose of the institution and not primarily for investment.

(8) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

Section 3. Standard of conduct in managing and investing institutional fund.

(a) Subject to the intent of a donor expressed in a gift instrument, an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.

(b) In addition to complying with the duty of loyalty imposed by law other than this Act, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

(c) In managing and investing an institutional fund, an institution:

(1) may incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the institution, and the skills available to the institution;
and

(2) shall make a reasonable effort to verify facts relevant to the management and investment of the fund.

(d) An institution may pool two or more institutional funds for purposes of management and investment.

(e) Except as otherwise provided by a gift instrument, the following rules apply:

- (1) In managing and investing an institutional fund,
  - the following factors, if relevant, must be considered:
    - (A) general economic conditions;
    - (B) the possible effect of inflation or deflation;
    - (C) the expected tax consequences, if any, of investment decisions or strategies;
    - (D) the role that each investment or course of action plays within the overall investment portfolio of the fund;
    - (E) the expected total return from income and the appreciation of investments;
    - (F) other resources of the institution;
    - (G) the needs of the institution and the fund to make distributions and to preserve capital; and
    - (H) an asset's special relationship or special value, if any, to the charitable purposes of the institution.

- (2) Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.

- (3) Except as otherwise provided by law other than this Act, an institution may invest in any kind of property or type of investment consistent with this Section.

- (4) An institution shall diversify the investments of an institutional fund unless the institution reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.

- (5) Within a reasonable time after receiving property, an institution shall make and carry out decisions.
concerning the retention or disposition of the property or
to rebalance a portfolio, in order to bring the
institutional fund into compliance with the purposes,
terms, and distribution requirements of the institution as
necessary to meet other circumstances of the institution
and the requirements of this Act.

(6) A person that has special skills or expertise, or
is selected in reliance upon the person's representation
that the person has special skills or expertise, has a duty
to use those skills or that expertise in managing and
investing institutional funds.

Section 4. Appropriation for expenditure or accumulation
of endowment fund; rules of construction.

(a) Subject to the intent of a donor expressed in the gift
instrument, an institution may appropriate for expenditure or
accumulate so much of an endowment fund as the institution
determines is prudent for the uses, benefits, purposes, and
duration for which the endowment fund is established. Unless
stated otherwise in the gift instrument, the assets in an
endowment fund are donor-restricted assets until appropriated
for expenditure by the institution. In making a determination
to appropriate or accumulate, the institution shall act in good
faith, with the care that an ordinarily prudent person in a
like position would exercise under similar circumstances, and
shall consider, if relevant, the following factors:

(1) the duration and preservation of the endowment
fund;
(2) the purposes of the institution and the endowment
fund;
(3) general economic conditions;
(4) the possible effect of inflation or deflation;
(5) the expected total return from income and the
appreciation of investments;
(6) other resources of the institution; and
(7) the investment policy of the institution.

(b) To limit the authority to appropriate for expenditure
or accumulate under subsection (a), a gift instrument must
specifically state the limitation.

(c) Terms in a gift instrument designating a gift as an
endowment, or a direction or authorization in the gift
instrument to use only "income", "interest", "dividends", or
"rents, issues, or profits", or "to preserve the principal intact", or words of similar import:

1. create an endowment fund of permanent duration unless other language in the gift instrument limits the duration or purpose of the fund; and

2. do not otherwise limit the authority to appropriate for expenditure or accumulate under subsection (a).

**Section 5. Delegation of management and investment functions.**

(a) Subject to any specific limitation set forth in a gift instrument or in law other than this Act, an institution may delegate to an external agent the management and investment of an institutional fund to the extent that an institution could prudently delegate under the circumstances. An institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in:

1. selecting an agent;

2. establishing the scope and terms of the delegation, consistent with the purposes of the institution and the institutional fund; and

3. periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the scope and terms of the delegation.

(b) In performing a delegated function, an agent owes a duty to the institution to exercise reasonable care to comply with the scope and terms of the delegation.

(c) An institution that complies with subsection (a) is not liable for the decisions or actions of an agent to which the function was delegated.

(d) By accepting delegation of a management or investment function from an institution that is subject to the laws of this State, an agent submits to the jurisdiction of the courts of this State in all proceedings arising from or related to the delegation or the performance of the delegated function.

(e) An institution may delegate management and investment functions to its committees, officers, or employees as authorized by law of this State other than this Act.

**Section 6. Release or modification of restrictions on**
management, investment, or purpose.

(a) If the donor consents in a record, an institution may release or modify, in whole or in part, a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund. A release or modification may not allow a fund to be used for a purpose other than a charitable purpose of the institution.

(b) The court, upon application of an institution, may modify a restriction contained in a gift instrument regarding the management or investment of an institutional fund if the restriction has become impracticable or wasteful, if it impairs the management or investment of the fund, or if, because of circumstances not anticipated by the donor, a modification of a restriction will further the purposes of the fund. The institution shall notify the Attorney General of the application, and the Attorney General must be given an opportunity to be heard. To the extent practicable, any modification must be made in accordance with the donor's probable intention.

(c) If a particular charitable purpose or a restriction contained in a gift instrument on the use of an institutional fund becomes unlawful, impracticable, impossible to achieve, or wasteful, the court, upon application of an institution, may modify the purpose of the fund or the restriction on the use of the fund in a manner consistent with the charitable purposes expressed in the gift instrument. The institution shall notify the Attorney General of the application, and the Attorney General must be given an opportunity to be heard.

(d) If an institution determines that a restriction contained in a gift instrument on the management, investment, or purpose of an institutional fund is unlawful, impracticable, impossible to achieve, or wasteful, the institution, 60 days after notification to the Attorney General, may release or modify the restriction, in whole or part, if:

1. the institutional fund subject to the restriction has a total value of less than $50,000;
2. more than 20 years have elapsed since the fund was established; and
3. the institution uses the property in a manner consistent with the charitable purposes expressed in the gift instrument.
Section 7. Reviewing compliance. Compliance with this Act is determined in light of the facts and circumstances existing at the time a decision is made or action is taken, and not by hindsight.

Section 8. Application to existing institutional funds. This Act applies to institutional funds existing on or established after the effective date of this Act. As applied to institutional funds existing on the effective date of this Act, this Act governs only decisions made or actions taken on or after that date.

Section 9. Relation to Electronic Signatures in Global and National Commerce Act. This Act modifies, limits, and supersedes the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. Section 7001 et seq., but does not modify, limit, or supersede Section 101(c) of that Act, 15 U.S.C. Section 7001(c), or authorize electronic delivery of any of the notices described in Section 103(b) of that Act, 15 U.S.C. Section 7003(b).

Section 10. Uniformity of application and construction. In applying and construing this uniform Act, consideration must be given to the need to promote uniformity of the law with respect to its subject matter among states that enact it.

Sections 10.1 and 10.2 have been omitted as they only apply to institutions that fall under the Religious Corporation Act, specifically “congregation, church, or society”.

Section 11. Effective date. This Act takes effect upon becoming law.

Effective Date: 6/30/2009
APPENDIX C

TABOR INVESTMENT PORTFOLIO
INVESTMENT POLICY STATEMENT

Adopted: May 17, 2015

Executive Summary

• The initial funding of Tabor Investment Portfolio (Portfolio) in the amount of $100,000 is provided by Millikin University. The Portfolio is governed by the investment and management policies contained in this document.

• The Portfolio Management, in consultation with the Managing Director, is ultimately responsible for the stewardship of the Portfolio. The Portfolio Management is responsible for the investment into and the management of the Portfolio’s assets.

• The Portfolio Management is responsible for establishing the Investment Policy Statement (IPS). The IPS contains such guidelines as: the investment philosophy, objective, strategy, style, guidelines, constraints, performance measures, portfolio rebalancing, and the management of the portfolio.

• The Objective of the Portfolio is to enhance students’ educational experience and learning.

• The Portfolio Management may engage an external Advisory Council to assist in economic, industry, marketing, management, and/or statistical analysis.

Mission

The mission of Tabor Investment Portfolio (Portfolio) is to enhance students’ educational and professional performance. Students will expand and apply their Tabor experiences in the challenging environment of professional money management. Competing against the market benchmark will develop confidence and lead to future professional success.

Purpose

The intent of this IPS is to delineate policies and procedures specific enough to define, implement, and manage an investment strategy along with control procedures that provide the Portfolio’s student managers (Managers with clearly defined policies and objectives. Although these policies and objectives are primarily intended to govern the investment activity, they are also intended to be sufficiently flexible in order to be practical.

In addition, the IPS will provide guidance to avoid unnecessary differences of opinion and resulting conflicts, minimize the possibility of missteps due to a lack of clear guidelines,
establish a reasoned basis for measuring performance, and establish and communicate reasonable and clear expectations.

Scope

The IPS applies to investable assets of the Portfolio and all parties involved with the Portfolio management and oversight.

Investment Philosophy

Portfolio Managers believe that capital markets are efficient most of the time, while individual stocks could become temporarily mispriced, thereby deviating from their intrinsic (fundamental) values. Eventually, prices are expected to revert to fundamentals, although this adjustment may not be instantaneous and it could take considerable time. Managers believe that through disciplined and methodical research and analysis, they can identify stocks currently undervalued by the market. Investing in these stocks should result in superior returns relative to the broad market benchmark. In addition, Managers believe that portfolio diversification should provide additional return benefits while reducing risk exposure. This IPS delineates Portfolio’s investment objectives, strategy, and investment guidelines to reflect this investment philosophy.

Managers’ Profile

Student Managers will adopt a disciplined and methodical investors’ approach. They will rely on research and hard facts rather than simply follow market trends and opinions. While examining and closely monitoring market analysts, students will undertake their own extensive research required for fundamental equity valuation. Student Managers will gather, analyze, synthesize and apply information from a wide variety of sources to gain insight and develop confidence in their investment decisions. Student Managers will be constantly looking for potential stocks to include in the Portfolio and will replace the existing holdings whenever a better opportunity presents itself. The decisions will be made based on information about whether the new stock will have a higher risk-adjusted return than the stock being replaced, net of transaction costs.

Investment Objectives

Return Objective: The Portfolio’s objective is to employ active management strategy that will produce actual returns that exceed the broad market benchmark on the risk-adjusted basis.

Risks: The Objective can be achieved while assuming acceptable risk levels commensurate with market volatility and return targets. Volatility is defined as the trailing twelve month standard deviation of investment returns. In addition to the investment Objectives, however, the Portfolio’s mission is to support and enhance students’ education, thereby creating additional risks, such as perpetual Time Horizon, high turnover of the portfolio Managers, infrequent rebalancing, equity-only investments, and long-only investment position.
Constraints

**Liquidity:** The liquidity requirements of the Portfolio are minimal, arising only twice a year from the portfolio rebalancing transaction costs.

**Time Horizon:** The Portfolio will be held in perpetuity.

**Taxes:** As a part of MU Endowment Fund, the Portfolio’ investment income is tax-exempt.

**Unique Circumstances:**

1. The primary mission of the Portfolio is to serve as educational vehicle to enhance students’ educational and professional performance. Therefore, the Portfolio will experience high turnover of Managers.

2. Day-to-day Portfolio management will be the part of the Finance curriculum. Therefore, the number of student Managers and the number of analyzed stocks will vary in any given year.

3. Being a part of the curriculum, the Portfolio cannot be rebalanced more often than twice a year.

4. Given the Portfolio’s relatively small size, infrequent rebalancing, and the relatively small size of the Portfolio’s management team – diversification will be achieved by supplementing stock holdings in each sector by adding the corresponding ETF as deemed necessary at the time of the rebalancing.

5. The Portfolio’s investable universe is restricted to the United States equity only.

6. Short sales, trading on margin and investment in derivative instruments are not allowed.

7. Under general circumstances, stocks with prices below $5.00 will not be bought in order to avoid excessive volatility, unless the analysis of the stock points to exceptionally valuable investment opportunities.

8. Generally, no more than 10% of the market value of the portfolio may be invested in any single security, unless very few individual investment opportunities are detected by portfolio Managers at the time of Portfolio rebalancing.

**Investment Strategy**

Given the Portfolio’s education-oriented Mission and investment Objects and Constraints, students will actively manage equity Portfolio employing fundamental strategies. Students will identify, buy and hold stocks that are believed to be undervalued by the market. Stocks that are believed to be overpriced will be avoided or, if currently held, sold.
**Investment Style**

Although Portfolio’s Investment Strategy is based on fundamental analysis, which favors value investment, the potential for growth at a reasonable price will be a factor as well. Thus, the resulting Portfolio’s investment style will be the blend of value (relatively low price multiples) and growth-at-a-reasonable price (above-average, consistent EPS growth), depending on the analysis of the business cycle and capital markets conditions. Individual stock can be either Large Cap or Small Cap, provided it meets the Investment Constrains and the Guidelines.

**Investment Guidelines**

1. Sector allocation will follow the broad market index, Russell3000.

2. Stocks selected in different sectors/industries are those that are considered to have higher intrinsic value relative to the current market price and have good fundamentals.

3. Cash position of the Portfolio should be minimal, generally no more than 5%.

4. Stocks should be sold if fundamentals deteriorate or if the gap between the intrinsic value and price is closed and a stock is trading at its target price or above. Specifically, stocks in the portfolio will be evaluated for sale if any of the following occur:

   • substantial market price decline relative to its purchase price;
   • declining earnings for more than three consecutive quarters or three out of five quarters;
   • a significant change in the company upper management;
   • a company is involved in a merger, acquisition, or significant sale of assets;
   • company insiders or institutional investors sell large blocks of the stock;

**Performance Evaluation**

Performance: The total Portfolio assets should achieve an annualized nominal risk-adjusted rate of return equal to or greater than that of the benchmark, net of trading expenses.

**Expenditures**

The University Endowment’s spending policy governs the rate at which the Portfolio’s funds are appropriated for Portfolio’s expenditures. To the extent that is consistent with the prudence standards, as defined by the Illinois Public Act 096-0029 (UPMIFA), the Portfolio’s Managing Director may appropriate funds for the following two purposes: Portfolio’s research/operations and the advancement of the Tabor students’ financial education.

1. The Portfolio’s allocation shall be determined by the Portfolio’s performance at December 31 and general economic conditions and shall not exceed the University’s allowable endowment spending rate for that year.
2. The Portfolio may use up to the University’s allowable spending rate to fund the advancement of the Tabor student’s financial education such as, but not limited to, Student-Managed Funds Competitions, student conferences, educational trips, etc.

2.a. Within the allowable spending rate, the Portfolio may use up to 1% of its market value to purchase research materials, office supplies, or other materials necessary for the Portfolio’s management and operations.

2.b. Within the allowable spending rate up to 1% of the market value of the Portfolio’s assets may be reinvested into the Coleman-Project Confirm spending account.

3. The Portfolio’s Managing Director is responsible for maintaining a record of Portfolio’s expenditures.

4. The total spending allocation shall be withdrawn from the TIP asset investment accounts annually.

**Portfolio Rebalancing**

The rebalancing could take place any time during a semester as a result of students' proposals and decisions.

**Management and Oversight:**

- Student-managers will be responsible for the investment into and the management of the Portfolio in accordance with its Objectives and Investment Policy.

- Portfolio Managing Director and Millikin University VP of Finance will oversee and monitor Portfolio’s assets.

* * * * *
STATEMENT OF CRITERIA

BOARD LEADERSHIP

BOARD OF TRUSTEES

Millikin’s mission is to offer an education that integrates the traditional liberal arts and the practical arts of the professions. Guided by faculty and staff, and within an inclusive and broadly accessible learning community, our students discover and pursue their full potential, personally and professionally, to do well and to do good.

Mission:

To deliver on the Promise of Education at Millikin, we prepare students for

- Professional success;
- Democratic citizenship in a global environment;
- A personal life of meaning and value.

Vision:

Millikin University: the national leader of performance learning

Leaders of the Board of Trustees must demonstrate a deep interest in higher education and be committed to the Mission of the University. They must also be passionate about achieving the University’s Vision and willing to lead by example by dedicating their time, talent and treasure. They should also understand the unique role the University holds in the community.

Vice-Chair

The Vice-Chair, who shall serve as the Chair of the Committee on Governance, reports to the Board’s Chair and will work closely with the Chair and the President on Board and University issues. This position is typically successor to the Chair position.

Qualifications

The Vice-Chair will have the capacity to perform the Chair’s responsibilities for all Board and University functions when the Chair is unavailable to do so. Among the many attributes, the following shall be considered when evaluating nominees for the position.

He or she must be a keen listener, be open-minded, and have strong interpersonal skills so that the necessary alliances with internal and external groups can be forged and developed. This person must be comfortable communicating both formally and informally with other Board
members, the President, members of the Administration, Faculty, Staff, Students, Alumni and Donors. He or she must be available and able to communicate openly with each of these critical constituencies. He or she should seek out the opinions of others, encouraging discussion, questions and conflicting opinions.

He or she must have strong leadership skills, be collaborative and in particular, be able to work closely with the Chair of the Board and University President to promote the mission of the University and support the President in the implementation of the University’s strategies. He or she should be well educated in the issues and trends of higher education, and demonstrate an appreciation of the importance of and roles played by the many important components of the diverse University community particularly within and among the faculty and the student body.

This person should be a seasoned professional preferably with broad experience in significant positions in the public, private and/or institutional sectors, who possesses strong business acumen. That experience should include interaction with boards of directors as a board member or an executive interacting with them. He or she should be comfortable reading and understanding the University’s financial information and have a record of sound fiscal management.

He or she should be a creative thinker who is willing to challenge the status quo in a constructive manner, but also learn from the past. This person should be known for taking well-reasoned stands and being decisive in terms of moving forward on proposals, particularly those generated by others, and achieving consensus in the process. He or she should have the demonstrated ability to work with people with diverse views and advance the best opportunities for the University.

It would be a plus if this person has an existing strategic network that can be leveraged to the University’s advantage.

Adopted October 7, 2009
Amended November 2, 2013
Responsible Committee: Nominating Committee