CONFLICT OF INTEREST FOR TRUSTEES OF THE AMERICAN UNIVERSITY OF ARMENIA CORPORATION AND DIRECTORS OF THE AMERICAN UNIVERSITY OF ARMENIA FUND

Article I

Purpose

The purpose of this conflict of interest policy is to protect the interests of the American University of Armenia (the "Organization") when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or trustee of the Organization. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit organizations.

Article II

Definitions

1. **Interested Person**

Any trustee or officer of the Organization who has a direct or indirect financial interest, as defined below, is an interested person.

2. **Financial Interest**

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

a) An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,

b) A compensation arrangement with any entity or individual with which the Organization has a transaction or arrangement, or

c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as material gifts or favors. A financial interest is not necessarily a conflict of interest.

Article III

Procedures

1. **Duty to Disclose**

In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the Chairman of the Board of Trustees (the "Chairman").

2. **Determining Whether a Conflict of Interest Exists**

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, the Chairman shall decide if a conflict of interest exists. In making the determination, the Chairman may consult with other members of the Board of Trustees as the Chairman deems appropriate.

3. **Procedures for Addressing the Conflict of Interest**

If the Chairman determines that a conflict of interest exists, the following shall apply:

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

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

c) If a more advantageous transaction or arrangement is not reasonably possible the Chairman shall determine whether the transaction or arrangement is in the Organization's best interest and whether it is fair and reasonable. In conformity with the above determination, the Chairman shall make the decision as to whether to enter into the transaction or arrangement.

4. **Violations of the Conflict of Interest Policy**

a) If the Chairman or the Board of Trustees has reasonable cause to believe an interested person has failed to disclose the existence of a financial interest or all material facts in connection with an actual or possible conflict of interest, the Chairman shall inform the interested person of the basis for such belief and afford the interested person an opportunity to explain the alleged failure to disclose to the Chairman.

b) If, after hearing the interested person's response and after making further investigation as warranted by the circumstances, the Chairman determines the interested person has failed to disclose the existence of a financial interest or all material facts in connection with an actual or possible conflict of interest, the Chairman shall take appropriate disciplinary and corrective action, including requesting such interested person to resign from the Organization, or, if the interested person refuses to resign, removing the interested person in accordance with the Bylaws of the Organization.

5. **Right to Appeal to Board**

The interested person shall have the right to appeal any determination made by the Chairman under paragraph 2 (regarding the existence of a conflict of interest) or 4(b) (regarding the failure to disclose) above to the Board of Trustees. The Board of Trustees may, by majority vote, (i)

establish procedures for consideration of the matter, and (ii) determine whether to uphold, revoke or modify the Chairman's determination(s); provided, however, if such interested person is a member of the Board of Trustees then such interested person shall be prohibited from voting on any matter related to the appeal.

6. **Chairman as Interested Person**

If the Chairman constitutes the interested person pursuant to this policy, then the Chair of the Audit Committee shall perform the role of the Chairman under this policy with respect to the Chairman's status as an interested person.

7. **Informing the Board**

The Chairman shall periodically inform the Board of Trustees of the status of all matters which may arise under this policy.

Article IV

Records of Proceedings

The record of all determinations under this policy shall contain:

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

b) The names of the persons who were present for discussions relating to alternatives to the proposed transaction or arrangement.

Article V

Compensation

a) A voting member of the Board of Trustees who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

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

c) Any voting member of the Board of Trustees or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, may provide information to the Board of Trustees or any committee regarding compensation.

Article VI

Annual Statements

Each trustee and officer of the Organization shall annually sign a statement which affirms such person:

a) Has received a copy of the conflict of interest policy,

b) Has read and understands the policy, and

c) Agrees to comply with the policy.

Article VII

Periodic Reviews

To ensure the Organization operates in a manner consistent with its tax-exempt purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects

a) Whether compensation arrangements and benefits are reasonable, based on competent survey information and the result of arm's length bargaining.

b) Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further its tax-exempt purposes and do not result in inurement or impermissible private benefit.

Article VIII

Use of Outside Experts

When conducting the periodic reviews as provided for in Article VII, the Organization may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Board of Trustees of its responsibility for ensuring periodic reviews are conducted.