

July 21, 2017

Questions about conflicts of interest on Innovation Campus interview

Morrison Hall, second floor meeting room. Chance Swaim, editor of The Sunflower, interviewing Lou Heldman, vice president for strategic communications at Wichita State; David Moses, general counsel at Wichita State; and Andy Schlapp, director of governmental relations at Wichita State.

BOLDED WITHIN TRANSCRIPT:

Lou HELDMAN: Vice President for Strategic Communications, Wichita State University; former publisher of The Wichita Eagle.

Chance SWAIM: Editor-in-Chief, The Sunflower.

Andy SCHLAPP: Director of Governmental Relations, Wichita State University; Executive Director of the Wichita State Board of Trustees; Officer on the Wichita State Innovation Alliance Board; brother to Matt Schlapp, the former chief lobbyist for Koch Industries, deputy assistant and political director for U.S. President George W. Bush, and current chairman of the American Conservative Union, the oldest conservative lobbying organization in the country; brother-in-law to Mercedes Schlapp, White House director of strategic communications for the Trump administration.

David MOSES: General Counsel, Wichita State University.

Innovation Campus: A research park on the eastern half of Wichita State University's main campus being developed over a previous university golf course (and an unoccupied building on the main campus that will be a private elementary school run by Wichita-native-billionaire Charles Koch's son and daughter in-law and a former fundraiser and state director for Americans for Prosperity, a Koch-backed conservative political advocacy group.)

Wichita State Innovation Alliance: A closely-held nonprofit established by the university to manage Innovation Campus.

Kansas Board of Regents: The governing body of Kansas' public universities, including Wichita State, appointed by the state's governor. All of the current regents were appointed by former-Gov. Sam Brownback.

MWCB LLC.: A development company owned by four prominent local businessmen — David Murfin, Nestor Weigand Jr., Ivan Crossland Jr., and Steven Barrett — that has been awarded projects on Innovation Campus outside of the typical state-required competitive bidding process by Wichita State Innovation Alliance.

David Murfin: Chairman of the Kansas Board of Regents, Innovation Campus developer, co-owner of the development company MWCB, prominent businessman with various oil, drilling, and real estate interests.

Nestor Weigand Jr.: Innovation Campus developer, co-owner of the development company MWCB; World-renowned real estate agent. Former president of the National Association of Realtors; President of JP Weigand & Sons; Sits on the board of Freedom Partners, a Koch-funded chamber of commerce that gave more than \$48 million to Americans for Prosperity in 2016; One of Charles Koch's closest friends.

Ivan Crossland Jr.: Innovation Campus developer, co-owner of the development company MWCB; World-renowned real estate agent. CEO of Crossland Construction Company, which has completed work on several MWCB projects on Innovation Campus.

Steven Barrett: Innovation Campus developer, co-owner of the development company MWCB; works for JP Weigand & Sons.

John Tomblin: Executive Director of NIAR, Vice President for Research and Technology Transfer at Wichita State, President of Wichita State Innovation Alliance. Tomblin is the point of contact for development projects on Innovation Campus.

John Bardo: President, Wichita State University; Chair, Wichita State Innovation Alliance.

BKD LLP: A Kansas Board of Regents selected auditor “to ensure there is no conflict of interest or improper management or use of funds” by state universities, according to a statement by a spokesperson for the board of regents.

BKD audit: Kansas Board of Regents-mandated, Wichita State-financed audit titled “Wichita State External Management Review.” The findings of the audit were discussed during an attorney-client privilege executive session of a Wichita State Innovation Alliance Board meeting in spring of 2017, and The Sunflower acquired the report through the Kansas Open Records Act from the Kansas Board of Regents. Wichita State paid for the audit.

The Flats: A luxury apartment complex built on Innovation Campus by MWCB, originally intended for upperclassmen and graduate students. After various complaints about affordability, and attempts by the developers to lower prices and market on campus and attempts by Wichita State to ask students to move from other housing options, fewer than one in five beds filled. Just over a month before move-in day, Wichita State announced it was moving students from university housing to The Flats.

Fairmount Towers: University housing. Wichita State announced last July it would be moving students who signed up to live in Fairmount Towers to the Flats, after students signed up for fewer than one in five available beds at the luxury apartment complex.

Beginning of interview:

Lou HELDMAN: So did you get a chance to look at the note I sent you yesterday? What do you think about that?

Chance SWAIM: I disagree, but I'm here to talk about other things.

HELDMAN: Say it, say again.

SWAIM: I said I disagree, but I'm here to talk about other things.

HELDMAN: OK, well I hope you'll get back to addressing that one.

SWAIM: Yeah.

HELDMAN: Now, I know you know **David (Moses)**, but do you know **Andy (Schlapp)**?

SWAIM: No. I know who he is, I just never met him, formally.

HELDMAN: Well, he's the one who deals principally with the government relations, including the regents, and he's also involved with **WSIA (Wichita State Innovation Alliance)** and is an officer of **WSIA**. So, I thought it'd be good to have him here.

SWAIM: Yeah, for sure. The more the better.

Andy SCHLAPP: Hi.

SWAIM: Chance (**Swaim**).

SCHLAPP: **Andy Schlapp**.

SWAIM: Nice to meet you.

SCHLAPP: Nice to meet you.

HELDMAN: I was recording this, so I was hoping we could be gathered more around the fire.

SCHLAPP: OK. Do you want to me to go over there?

HELDMAN: Yeah.

SCHLAPP: OK.

HELDMAN: Yeah.

SCHLAPP: All —

David MOSES: Leave the door shut so there's not distraction noises.

MOSES: Are you recording it too, **Chance**?

SWAIM: Yeah. Yeah.

HELDMAN: And do you, do you record phone conversations?

SWAIM: Not always. When I'm interviewing I do. I try to if I can get the dang app to work, but it's real spotty.

HELDMAN: So, if we're talking on the phone we can assume we're being recording?

SWAIM: I would say just assume so, yeah.

HELDMAN: OK. OK. So we are here at your request, so.

SWAIM: OK.

HELDMAN: So fire away.

SWAIM: OK. So, I'm here to talk about conflicts of interest with regards to the development of the innovation campus. Some issues were raised in the **BKD (LLP) audit**, found that it was being properly managed, but recent discoveries, I guess, have, I guess, opened new questions at least for me, and I'm sure their will be questions among our readers.

MOSES: So, what new stuff's come to light?

SWAIM: So, the way it was presented, and the way I understood it from the (**Kansas Board of Regents**) minutes and the audit was that Regent (**David**) **Murfin** was excusing himself from matters related to **Innovation Campus** contracts and, you know, anything to do with his specific buildings that **MWCB (LLC)** would be involved with. But as I've looked through the minutes, it seems there's other things that kind of create a potential for conflict of interest there. Such as deciding whether to give the executive officer a raise, which, who's also in charge of the nonprofit. That and then, uh.

HELDMAN: I want to make sure who you're talking about. Who's the executive officer?

SWAIM: So, **President (John) Bardo**.

SCHLAPP: So, what you're saying, just to be clear, and you're saying "potential," right. You're not saying there is a conflict.

SWAIM: Uh, yeah.

SCHLAPP: Or are you saying there is a conflict.

SWAIM: I'm just saying there's a potential there.

SCHLAPP: So that a member, the board member, **Dave Murfin**, who part of his job is to give CEO compensation, that if he was to give CEO compensation to **President Bardo**, that then that's a conflict of interest because **President Bardo** ... what?

SWAIM: Has a say in awarding contracts.

SCHLAPP: So, **President Bardo**, because he gets a raise from **David Murfin**, then, therefore, makes sure that **David Murfin** gets preferential treatment in the **Innovation Campus**. And that's reflected in the minutes of the regents?

SWAIM: I think there's a difference between a direct — between something direct like that and conflicts of interest. I think it puts them both in, potentially, an unhealthy decision-making relationship. Because, I would assume, you'd have to assume in the back of their minds, they both understand that this relationship could be problematic. And perception is part of, part of the conflict of interest, is that even perceived should be avoided.

MOSES: And who says even perceived conflict of interest should be avoided?

SWAIM: In our policy.

MOSES: Whose policy?

SWAIM: WSU's and I believe the board of regents'.

SCHLAPP: Then, what is that difference? Is it that you acknowledge that conflict exists or that you can't have any conversation with **Dr. Bardo** whatsoever that could be perceived as favorable — and I get to the point of let's be ridiculous here, right? So, **Dave Murfin** says to

Bardo, "Hey, I think you're doing a great job." Is that a perceived conflict because then **Dr. Bardo** says, "Hey, **David Murfin** says I'm doing a great job. I'm going to give him special treatment on the **Innovation Campus**." So, is that also a potential conflict of interest?

SWAIM: I wouldn't say a simple compliment. But there's a lot of actual money situations that are handled everyday, with increasing speed, I guess, and velocity, and it's a question we keep getting. I figured it was addressed in the conflicts of interest, but this, it just keeps coming up. And I'd like to hear it out, because I see it as a potential for sure. It doesn't mean they are colluding to, to get money in these different way, but I think it does create at least an internal conflict for themselves and a perceived conflict. It could potentially, because it puts one in a power dynamic over the other in different circumstances where they have to both kind of toe a, I think, a different line than they would regularly. So, there's that development, and then, it's been discovered that **John Tomblin's** ex-wife is married to one of the developers. They've raised children together, who, they were both minors during the start of this, of **Innovation Campus**.

MOSES: Say that again, **Chance (Swaim)**.

SWAIM: That **John Tomblin's** ex-wife is married to **Steve Barrett**, who is a 25 percent owner of **MWCB**.

MOSES: Now, I heard that part. And then you talk about raising children together.

SWAIM: They have two children, who were both minors at the time of the initial. And I believe one now is no longer a minor, but like 20, 20 years old, something like that, so a definite, I mean at least — this seems very clearly as a conflict of interest.

MOSES: How? How would that be a conflict?

SWAIM: How would it not? I guess would be my question.

MOSES: No. I asked you first. How would it be a conflict? How that be a conflict? That, John Tomb — and I don't know if those facts that you just stated are true — but if **John Tomblin's** ex-wife is married to **Steve Barrett** and they have — **John** and his ex-wife had children together, how does that — how do you leap to a conflict because of that. Do you have any facts to back that up? To support that?

SWAIM: So, **John Tomblin** is the president of **Wichita State Innovation Alliance**, which awards contracts to that company (**MWCB**). If it's benefitting his direct family members to do so —

MOSES: **Steve Barrett** is not his family member.

SWAIM: But the children are.

MOSES: How do you know that **Steve Barrett** contributes a penny to those children? You don't know that, do you?

SWAIM: Homeownership.

MOSES: You don't know that.

SWAIM: Mm-hm.

MOSES: Do you have those facts?

SWAIM: Yes.

MOSES: OK. So, **Steve (Barrett)** has to have a place to live. I'm troubled by how you're leaping from a fact like that — if it's true fact — to the fact that creates a conflict of interest. Most marriages — half the marriages in this country end up in divorce. And if you follow your logic, that means none of those people can ever be in business dealings together.

SWAIM: Well, in a private business, uh —

MOSES: Conflict of interest rules apply in private business, too.

SWAIM: Are they as stringent?

MOSES: They may be. They may be. It all depends on how it's structured. But I think you're making a very — I think you're making a leap that is not based on any fact or any law. To say because somebody is divorced, they re-marry, and they have children from that prior marriage, that that creates a conflict of interest. I don't see how, how you can make that leap. That's pretty risky territory.

SWAIM: I mean, you don't see it, though? Does anyone here see that? What I'm saying?

HELDMAN: I guess I add this perspective about both of the issues you've raised so far. In the case of the president's salary, the first thing I look at is are his raises inconsistent with the raises given to other chief executives whose compensation is decided by the same board. And I know you'd find that it's not inconsistent in any way. There are nine regents, and I don't, I don't think there is any likelihood that it was a split vote, and that **Murfin** was the deciding vote. I also think that in **Murfin's** time as Chair, the most raises he could have voted on was one, but more likely none. Uhm.

SWAIM: Yeah. It's none. I'm pretty sure.

HELDMAN: And the other question I ask about both **Murfin** and **Barrett**, and this would go for a much broader community, but since you've raised those, I want to focus on those for a second. Does their investment in Innovation Campus have any likelihood of changing their overall success profile? They're both people who have been in business for decades, and their investment in **Innovation Campus** is one of dozens or hundreds of investments that they've made. So, where do you sometimes see potential conflicts of interest, where basically where someone is someone's family, ability to hold on to their house, is riding on this deal, and, you know, if you're honest, in context, this doesn't fit that profile.

MOSES: And I would add to something **Lou (Heldman)** said, going back to the **(David) Murfin** piece, he's, there's also an executive director, president — what's **Blake's (Flanders)** title?

SWAIM: (Blake) Flanders?

SCHLAPP: He's the president.

MOSES: President and Executive Director of **KBOR**, so there are a whole lot of layers involved in the actual evaluation, decision making, and recommendations before anything gets to the board. And I think that is a very important layer to remember as well. Rather than just making that leap that you've made regarding **(David) Murfin**. So I'd add that.

SWAIM: I would say.

HELDMAN: Just, just for your knowledge, I believe the last two times **President Bardo** has gotten a raise, he said that he would donate the net of that raise to the **WSU Foundation**, and that includes the most recent one.

SWAIM: The one this year?

HELDMAN: Yes.

SWAIM: Because I remember I asked him at **KBOR** if he was going to take it or not. He wasn't sure at that point, so. Just, figured he'd decide, so let's see. I don't know. I would say most people, I would say a reasonable person given, looking at, those facts would say those are — those are potentially conflicts of interest.

SCHLAPP: So, question for you. You run an independent newspaper at **Wichita State**. Where does the funding come from for most of your budget?

SWAIM: Advertising and students.

SCHLAPP: So students. And the student money comes from what?

SWAIM: From student fees.

SCHLAPP: OK. So they get and then give you money for that. So are you beholden as a reporter to make sure that you satisfy the advertisers and do what your advertiser, what they say you should do, and what the students say you should do, or are you an independent voice that uses that money to then cover the news in the manner that you see fit? Because to me, it's a very similar piece. All of us are paid money by somebody. All of us need to have a level of autonomy. If what you're saying is true, those that give you money have influence over you, then this whole concept of autonomy and independence isn't real. Because you have to be beholden to whoever your advertisers are, to make sure your stories aren't in conflict with your advertisers. You have to make sure that your stories aren't in conflict with the students, because they are the one that are influencing what you do, so I sit here and I go, well I see a potential conflict, because of how you are paid as a newspaper that doesn't truly allow you to be independent, but I sit back and I go, wait a second, I think you probably do have the ability to be independent, so then I say that's true and I believe you have the ability to be independent regardless of the forces that allow you to do your job and I step back and ask the question of **Dave Murfin**, and say does **Dr. Bardo** have the ability to be independent as he makes decisions based on ethics and morals and the things that are his jobs, because **Dave Murfin** and a group gave him a raise, I think so. I think **Dave Murfin** has the ability to offer

up conflict of interest and not be influenced by how money's given to him also. So that's where I'm struggling — I don't get just — because we can say, "A paid for B, therefore, B has to do what A said." It's never worked in my world. That, you know, and again, and I'm a lobbyist, right? I wish this world existed. I wish that I could buy a legislator a hamburger and tell them "This is the time that I need you. You have to vote for **Wichita State** here. We need more money." Right? Well, it doesn't happen. And I say, whoa, whoa, whoa, whoa. Whoa. I bought you a hamburger. You owe me. They go No, no, no. You bought me a hamburger because you bought me a hamburger. I have the independence and autonomy to do what's right for the state of Kansas. So again, in this conversation we're having, I'm struggling because I get it. It's easy to connect the dot: A does B, therefore we know C has to be what A wants. But There's too many examples where that doesn't happen, and that doesn't exist. And it challenges everyone in this room to say, "Am I truly independent if I accept money from somebody else?" And so, anyway, my problem is, I'm just struggling with your concept when you say it's obvious that there's a conflict of interest. No, it's not. It's obvious that **Dave Murfin** is a regent. It's obvious that **Dr. Bardo** gets evaluated and gets his salary from the board of regents. It's obvious that **Dave Murfin** is a member of a group that is building on the **Innovation Campus**. But it's not obvious to connect all those dots and say because of all these, conflict of interest is happening. Because I just don't believe that. I don't believe you are here because the advertisers and the students say they want you here and this is the story. I think you are here because you're an independent voice for what you want to do. So, that's, again, just trying to make sure I can understand the leap. What **David's (Moses)** talking about is how when you say these things are true, and they're true, that then, therefore, the only thing is conflict of interest. That's the part, that's the leap I just can't accept, I can't buy. Because that's telling me I don't have any independence in my thought, and what I want to do, because I'm totally influenced by who pays my salary.

SWAIM: A couple things to that. And, is that we have, at least on **The Sunflower**, and I know the university level, the state level, there's certain protections in place, like our bylaws. Part of our receipt of student fee money is we cover student issues that matter to students. So that is, that is a stated purpose for receiving that money. And then, from advertisers, we have a wall between us and the advertising section. We don't know who they're dealing with necessarily. And then, with the state, I, there are also, you know, very clear rules to protect people from these situations, and most of it has been disclosed. I'm not saying it's. I'm not saying it's a tit for tat.

MOSES: And doesn't that tell you that these people are cognizant of the rules, recognize when there is a conflict, and they are following the rules, and so, that just supports the argument that you're making a giant leap and the dots don't connect. Because it's one thing to say, "You know, I'm not going to conflict out of this, I'm not going to conflict out of that." There is a recognition of those rules. There is a following of those rules. So you're now creating an additional connection of a dot that isn't there. Does that make sense?

SCHLAPP: **David Murfin** didn't give a raise — to the point that you're making that there's this wall. **David Murfin** didn't give a raise to **Dr. Bardo** and say, I'm giving you this raise so that you support me on the **Innovation Campus**. That's not — **David Murfin's** job as a regent is to evaluate all CEOs and provide compensation to those CEOs. He is doing that. What you're saying is because he is doing his job, that creates a conflict, because **Dr. Bardo** has no choice in this matter but then to help **David Murfin** in the **Innovation Campus**. I mean, that, that, that to me is the struggle I'm making to get to this leap is, 100

percent true, **David Murfin** is one — part of the group — and his job is to give CEO compensation. What I can't get my head around is **Dr. Bardo** therefore gives **David Murfin** special treatment on the **Innovation Campus**. I just don't see — so what you're saying is if the raise didn't happen — let's assume he didn't get a raise. Let's assume that **David (Murfin)** said, "I don't think **Dr. Bardo** deserves a raise." Is he no longer on the **Innovation Campus**? Do we find somebody else?

SWAIM: That dynamic is available though.

SCHLAPP: You think? I don't think it is.

SWAIM: Whereas, with a more, with a competitive-bid process, would be, that would be more glaring than, well, then, it's just stopped.

HELDMAN: The first contract that, um, **MWCB** got on the **Innovation Campus** was prior to **Murfin** being named a regent. Um. How did that happen?

SWAIM: When you have — I mean — I'm not — what I'm not — I'm not saying that it's a pay to play like situation.

SCHLAPP: I'm saying that's exactly what you're saying, though. I think that is what you're saying.

SWAIM: I'm saying it's a conflict of interest. That's what you've said, that's what you've said, that's what you've said.

SCHLAPP: Well, when you say there's a conflict of interest, what's the difference?

SWAIM: I'm saying conflict of interest. There's a difference.

MOSES: Yeah, what's the difference, **Chance**.

SWAIM: That their interest, so. **Bardo's** interest should be the university in making university decisions. **Murfin's** should be the regents first and foremost, based on his disclosure, and it's stated clearly in the minutes. But they have outside interests, **WSIA** and **MWCB**, that could conflict with that, given the different — different, uh — different natures of the different associations.

SCHLAPP: So are we here because we're talking about this could be an influence, or are you saying you have documentation that says it is a conflict of interest? That's the part that I'm trying to get to. I mean, everything in the email I read is you said there is a conflict of interest, you need to tell me what your side of the story is, because I don't think we're here — because you're not not gonna run the story, right?

SWAIM: Right.

SCHLAPP: You're running the story.

SWAIM: Right.

SCHLAPP: The issue is that you believe there's a conflict of interest and you believe there's wrong doing and you're writing a story you want us to either say there is or isn't. What I'm trying to get to is I just need to understand that — where, where is this conflict, where all the sudden because you talked about potential, right? I get the potential. You've talked about this could be conceived as conflict. I'm trying to get to, OK, great. Where's the conflict of interest then? I don't — **WSIA**, when you say it's an outside organization, that's not a true statement. It is a closely-held 501c3 that the president's in charge of, and it is run out of the board of regents for the purpose of **Wichita State University**. So it's not an independent organization. It is there to run the university. So I get back to — other than people around the dinner table, or the coffee, drinking coffee could say, "This! This! Can you believe this connection? OK. But now we have to take it a step further, because now we're talking about a legal issue. Right? I think you what you wanna say is, **Dave Murfin** broke the law, **John Bardo** broke the law, because of this.

SWAIM: Not at all. Not at all.

MOSES: **Chance**, I wanna follow up on, remember the conversation we had a while back about the "to be unnamed individual" in the series you were writing? And I pointed out to you that whenever you write an article, when you write an article and you put it in the section that is not the editorial section, people think that those are facts. They think that those are true statements. You're not supposed to editorialize.

SWAIM: I don't.

MOSES: Yeah, you are.

SWAIM: I don't.

MOSES: You are editor — because — because you're saying there could be a conflict. That is your opinion. You're trying to, in an article that is supposed to be a factual statement, a reporting of the facts, to your readers, you are now embedding your personal opinion and conclusion from those facts by saying that it could be a conflict of interest. You want to write an article like this? It ought to be on the editorial page. **Chance Swaim**. It should not be written in a way that leads people to believe that there are facts that there is a conflict of interest. That's exactly what you're doing. We talked about it about that other series where you were taking information from a source that wanted to remain confidential, and the way you wrote those series, they were read as if those were the facts. And that caused a lot of damage to people that shouldn't have been damaged. You have an opinion it could be a conflict, put it on the editorial page. In my opinion. **Lou** may disagree, he's the one with the experience in journalism.

SWAIM: I'd like for you to point out any section of that that was editorialized, because I spent over 100 hours going through documents, interviewing people for that story.

MOSES: The point involving those stories, **Chance**, is you took one person's confidential statement, you put it in an article and you didn't — and we talked about this.

SWAIM: Those were all facts.

MOSES: You did not. No.

SWAIM: Yes they were. I can show you.

MOSES: It was one person's statement, and you did not qualify your statement by saying, "We're not saying these things are true, but this is what one person has told us."

SWAIM: It says "This is her story" in the opening paragraph.

MOSES: Going back to this issue, if you want to opine —

SWAIM: Which I don't.

MOSES: If you write that this could be a conflict of interest —

SWAIM: That's not what I'm planning to write.

MOSES: You are opining.

SWAIM: I don't plan to write that.

MOSES: If you report facts that are documented facts that you have — and I don't know the phrase in journalism — but reliable — substantiated — whatever the words are in journalism — facts.

HELDMAN: Verified.

MOSES: Verified. Thanks. You have verified facts and all you report are facts, which is your job as a reporter.

SWAIM: Mhmm.

MOSES: And I encourage you to report facts that are verified. That's one thing. And then, in that same article that is supposed to be reporting verified facts, there is the statement that this is a conflict of interest, this could be a conflict of interest, this is a perceived conflict of interest, that is your opinion and that belongs on an editorial page, in my humble opinion.

SWAIM: Well, if you look at, if look at — say you're walking down the street, you see someone get shot, and they die. And you're the reporter. They were shot and killed. The shot killed them.

MOSES: How do you know that?

SWAIM: Exactly.

MOSES: Because I have defended cases where — we're getting a little off-target here — but I have defended cases where the gunshot had nothing to do with the person's death.

SWAIM: Mhmm.

MOSES: OK. Your job is not to draw a conclusion. Your job is to report verified facts. And when the coroner comes out and says "They died from the gunshot wound," then report that. But don't make guesses and presumptions.

SWAIM: Well, one part of journalism is — one source is observation. One source is your actual sources you're talking to. And that's why I'm here today, because I want your voices in this story. It doesn't — you are a source for me, for this, and, uh.

HELDMAN: What else would you like to ask? I realize we've gotten off on a philosophical byway and we really ought to, we really wanted to give you this time to answer your questions.

SWAIM: OK. So do you think that, according to policy, that statements of substantial interest should include positions on a board that you've all disclosed, other than **Dr. Tomblin**, yet again, and then also the connection with the ex-wife and children. Do you believe those are conflicts of interest.

HELDMAN: I don't. I think it's a vast, vast leap in logic. So, no, I don't think it's a conflict of interest.

SWAIM: Do you?

SCHLAPP: No. I mean, the state laws are there. They are — if we think that **Dave Murfin** took this job as a regent, knowing what he's involved in, and not just businesses on the **Innovation Campus**, all over the state of Kansas. If we honestly believe that, that there is a conflict, he has a conflict of interest, he could never serve as a public servant and help, so I believe there are laws. I think he's more than aware of the laws. I think he disclosed what he needs to disclose. I think the regents are extremely cognizant of the easy connection to say this to this, which is what this story is, that they make sure, and their legal department make sure that **Dave** does not put the regents in a difficult spot because of who he is. And that's a conversation that I swear to God I have maybe everyday about how we need to make sure there's not a conflict of interest. And so they're very aware of that. At the university level, we're very aware of that. And, quite frankly, I mean, while this is the sexy, fun one to talk about, so many people that are involved in the foundation and alumni association also benefit from getting paid by the university. It's a conversation we have to have all the time and be very aware of. So, you know, is there a legal dot that you can connect that says this is a conflict of interest? Absolutely not, there's not a conflict of interest. So, I mean, to me it's pretty simple.

HELDMAN: My biggest concern, I guess, is that the most precious that most of us have is our reputations, and as — you know, when I was a reporter, and especially when I was an editor — uh — it's — when — in the beginning because you don't have much of a reputation of your own, reputation isn't a lot on your mind. But when you've been — uh — you know, 20, 30, 40 years into your career, your reputation is sometimes the most valuable thing you have. And, if — if you're — you're a person who wants to do the right things for the right reasons, somebody — somebody using — using the tools of the media to smear your reputation is — is — is terrible. Because, you know you've done the right things for the right reason. And, so, somebody who has achieved as much as any of the people we're talking about, to say, "Oh, boy! They were going to get an extra thousand dollars in income this year

— uh — because of — uh — this deal they cooked up with conflict of interests, it's a terrible thing to do. And if you do it, you better be right.

SWAIM: So, why — why is **MWCB** selected continuously for these different projects?

SCHLAPP: So, throughout the country there are 3P projects going on. If you have a look at Rutgers University, they just did a P3 project that cost a billion dollars. They sold all their dorms. They sold all their garages. They sold all their physical plant to a private company. An international private company that then pays them money upfront so they can have their infrastructure. At the end of the day, the reason these public-private partnerships are existing is because of, if you're to look at state funding for Wichita State, for example, since 2008 we've lost 12 million dollars. There's no money at the state. It's not coming back. So for us to keep hoping that we can get the money it takes to fund this university from the state is ridiculous. We could elect people that only like higher education — there's no money. We couldn't raise taxes high enough to put money into higher ed. So what's happening across the country, is you're developing public-private partnerships because the money today to fund the projects you need exist in the private sector. They're not in the federal government. They're not in the state government. That's where they are. Ohio State just went through this, and they hired — brought in a P3 company and sold off their same three again. What generates revenue? To have money up front. Right? So we can build the projects we need to have this piece.

HELDMAN: And they sold their parking garage?

SCHLAPP: Parking garage, fiscal plant, and the dorms. University of Texas. If you were to go to the university of Texas, and I can't remember what direction I'm going, the University of Texas is here. Over here I think they have 13 or 14 private dorms. This is the model. When we go and talk to this people that are doing public-private partnerships, one of the things that they're jealous of is that we have local money into these P3s. Most of these people — and, again — I have a friend that works for McQuarry. A dear friend of mine from Washington, D.C., an international company that does this, and he calls all the time trying to do business. Again, you would think, conflict of interest, I would do go getting him the business, but we haven't been able to figure out why it makes sense for them to do it, because we have these local people that are willing to make investments and not make the profit that a McQuarry or these other companies want to do, because they believe that **Innovation Campus** is going to grow the Kansas economy. So, **Nestor Weigand** is not doing this because he wants to make bazillion gazillion dollars. He's 80-some years old. He's doing this because he believes it's the best for the future of the state of Kansas and for Wichita and that his grandkids will be able to get jobs and stay in the community he loves. So, one of the cool things that's happening with the P3, is that's the people we're dealing with. It's not an anonymous bank. It's not an anonymous third party that just wants to come at it and maximize their wealth (inaudible). When we started, and none of us were experts in public-private partnerships and we went out for an RFQ, right. **Murfin's** group won. Beat out, umm, Dondlinger and, oh God, I can't even remember, why can't I remember his name? The hotel guy. Another big donor. And then it was Tom Devlin and Paul Jackson were the other group. They put in a proposal that was so much lower than the other two, because they were willing to lose money on the project because they — and they told us — if we get this development, for every research job you create, there's four or five other jobs. We'll make the money

putting those in the places where we are around the community. This is going to drive the economic future of Wichita.

HELDMAN: I will give you — I will give you a totally legitimate line of inquiry on every single project we do. Does this project benefit the university as much or more as it benefits the developer? Because the whole idea of public-private partnerships is that they're mutually beneficial — uh — and obviously the — the public part of the partnership brings something to it. So you see that — and not all of these work, by the way. So, you know, the latest very large deal public-private partnership is the city of Wichita and Cargill. You know, on, you know, from what I can tell, it's a very good thing for the City of Wichita to keep Cargill. Because the question isn't where is Cargill going to go in Wichita. The question was, will Cargill stay in Wichita. With Airbus, the question wasn't can we keep — can we keep Airbus downtown. The question was, can we keep Airbus in Wichita. So there — there — there is a lot of this going on now. And people who only have an old model in their head of everything should be funded by taxpayers, as **Andy** said, that model doesn't work anymore. And, you know, we've seen over a course of — and you can tell me how many years — but of the decline in percentage of state funding, the lines you see the state funding line going down and the student tuition line going up, you know, pretty parallel ways. So we're trying to make decisions that — that are for the future of Wichita State and the future of Kansas. Question — question the decisions. But questioning the reputation of the people involved is another matter entirely, in my mind, and I think you're going down the wrong path with that.

SCHLAPP: You know, part, too, to me, is so they're picked, and then we do an open bid process. So if you go to our website there's an open bid process for anybody interested in building on **Innovation Campus**, here's what we do.

HELDMAN: Bring us your ideas.

SCHLAPP: But here's the difference: If you do design, bid, build, who owns the risk in design, bid, build. We do, right? All — all that happens in design, bid, build is we have to hire an architect, pay an architect to come up with the plans. We then go out for bid. And a contractor or developer comes in and says, "How much are you going to give me for that? Oh, you're going to give me 30? I can do it for 25. I'm going to make \$5 million. At the end of the day, that project's success or failure is 100 percent on us, the public sector. We take all the risk. The developer, the contractor walks away with their profits and their money and their taxpayers' money — because every single capital project that's ever been done in the history of Wichita State and the country is taxpayer money going to the private companies and private companies make money. Right? Period, the end. They leave. We now assume the risk. This model is different, because what we say is "You're going to build the building, you're going to take up the loan, we're going to tell you when it's going to be built, and we're going to tell you whether the tenants you want in there fit the vision of the university. And at the end of the day, if the project doesn't work, you're going to default. And if at the end of the day, if the project doesn't work and the bank doesn't want to take it over, then that building comes back to us. There's no risk for us. That's the model that's different. And the reason so many construction companies are saying, "We don't like this new model on this campus," because, not because they don't want to be involved, they just like the model where we assume the risk and all they did was take their money and go home. I've sat in the room with these people and have had to personally guarantee their own homes, their own fortunes, to do what they want to do on their campus. I think that's a better model. Because the risk is borne

by the private sector and not by the university. So when I'm in the legislature and legislature says we can't afford anymore bonding, we can't afford anymore debt, don't put anymore debt on us, we're not. We're telling, we're letting them assume the risk. So, when you have this open process, certain companies won't participate because they're not going to assume the risk. Why would I assume the risk? I'm pretty happy with this old public model where I get state money? Who are these people? I would tell you that this group, because they care about Wichita, have been willing to assume that risk where most of these private companies have not. But having said that, now that it's been going on, we have other companies that are contacting us saying, "We want to build this building. Can we build this building?" But at the end of the day the nice piece is who has the risk. And the risk is always on the person who owns that building and we don't own any of those buildings.

SWAIM: Then, I guess, follow-up to that is that, and I know you took exception with the Flats story, here, but I think the university does assume a certain risk, when this building is on our land, then, you know, they've fulfilled the lease, and 30 to 40 years from now, what are we, I mean, it could be just a bad building that then is just a Fairmount Towers that you have to deal with. So I mean that, I think that's a real risk.

HELDMAN: Well, buildings definitely have a useful life, and you either have to do a lot of renovation or you have to replace them. There's no question about that. But it also means — let's take the Airbus building — if, you know, and it's right in the contract, you don't have to take my word for it. If Airbus decides to leave town, that's a problem for the developers. If the developers decide, "No, we can't lease this to anybody else, we get this, what is this, 90,000 sq. ft. building, something like that." We get this beautiful 90,000 sq. ft. building, and we've got departments all over campus who'd be delighted to move into it.

SCHLAPP: In the contract — sorry to interrupt — in the contract it says they have to maintain the building at this level, at their cost. And when you turn this building over to us, we have a right to demand that the building is at this level. Honestly and truthfully, I can't say that about any building on this campus. You want to know what Fairmount Tower is? Fairmount Tower's problem is the same that's happening at the other six universities. We're telling the legislature, they're your buildings. You have to maintain them. So, 12 years ago, there was this thing called crumbling classrooms, where we went in and said, you're not paying to maintain these buildings, we don't have the money to maintain them, they're your buildings, you need to maintain them. And they put together this process of how they would do this. And every university gets a little bit of money to try to update their buildings. The fact of the matter is, and this is a true statement, **Fairmount Towers** has not been maintained. Morrison Hall is not being maintained. Elliott Hall is not being maintained. We are waiting until it's at a crisis place. We get a little bit of money and then we try to fix it. So, because the legislature controls us and chooses not to fund that, then, that, our buildings are not being maintained. We don't own any of the buildings. Every time, you know, that they get built privately and they turn it over to the university, they become the state of Kansas. They don't make those investments. The wonderful thing we have with innovation campus is we have a contract with them that says we have a right to come into the building and make sure that you are keeping it at the level that it needs to be. And if you don't then we have the right to come back and demand that you do that. So quite frankly and truthfully, those buildings are going to be much better maintained than the buildings that are maintained by the state of Kansas because the state of Kansas is not investing in the maintenance of the building, so I just don't even see that as, as even an accurate portrayal unless, right, the only way it could be

is if we say we're not going to let you follow the contract. But why would we have them enter into a contract we're not — that's the whole purpose. The whole purpose is, this public model isn't working. We can make the model work over there.

SWAIM: Then, so, another thing about the Flats was that it seems no one signed up — 48 people signed up. And then that's on this company. And we stepped in and said we're going to put these people in.

SCHLAPP: They care about improving Wichita. They thought building a private apartment would be good. They have a choice. They had a choice to hire Case and Associates who rents most of the apartment complexes around here. And that would have been full. But they didn't want it full. They wanted **WSU** students. So they asked us to manage it. One of the conversations that we had when we went to housing was we said, "How come there's only 48 students?" What we discovered was, their goal one was to fill Shocker Hall. Their goal two was to fill **Fairmount Towers**. Their goal three, then, was to fill the Flats. So, the typical students who are coming in — we only get about 1,200 — the Flats aren't going to be an option. So unless you came in to housing and said, "I want to live in the Flats," it wasn't an option. And you just came in and said "I want to live at Wichita State in Shocker Hall," we said, "Oh, Shocker Hall is full, you're living in **Fairmount**." Part of the problem is, is that we did not manage, probably to the level that the developer expected. Now, the developer could have, I mean that was the question they were asking: "How come we only have 48? What are you doing? Where are the tours? We're not seeing the students? blah blah blah. We can't see on your webpage where you're advertising, we can't — " They were ready to go to a second developer — or a second person — to fill the building. But that defeats the purpose of why they built it. It defeated the purpose. So we started asking the question, right, and this is the fair question. I've been here since Dr. Bardo's been here, we've been trying to figure out how we tear down Fairmount. It was built the year before I was born. Both of my kids go to school here. Both of my kids lived in Fairmount. It was awful when my kids were there. And it's like, hey, it's the best we've got, it's okay. We need to take it off-line. And then you talk about state funding and this going down. There's never going to be a time when we're going to have all this excess revenue that we have the money to tear down Fairmount. So when we started talking about the management of the Flats with housing, and saying, "We've got to fix this, because what's going to happen, we're going to have a lot of nada students living on campus. That doesn't help us. Plus, this model of filling Fairmount isn't helping us get to the place where we can tear it down and not have it be an option. Housing came and said, "What if we went to the developer and asked the developer if they would just be a landlord? Change the model. That way we can run the Flats as a dorm. And we're not — it's no longer a private apartment complex, where we're just renting rooms, and we can run it as our new dorm." Well, that was an interesting concept, right, something we hadn't talked about as we were going through all of these iterations. It solves a problem that we can take Fairmount and empty it and finally get it offline. It solves the problem of making sure we have Wichita State students at the Flats. It solves the management issue we had that we told them we would fill it and really didn't work it. But we had to go to them. We had to, we basically had to go to the developer and say "Hey, remember that risk thing? You're going to eat it. Because we don't have enough money for you to break even. We're not even close. But we want to take this and run it as a dorm. And we want just to be a landlord." And they said, "We hate that idea." And then they came back and said, "Actually, we think that's the right thing to do. What are we talking about?" So at the end of the day, we're talking about an agreement where they're going to — they built a brand new building, we're going to give them about \$7.50 a square

foot, or just over \$4,000 (inaudible). They're going to lose their ass in this deal. But they think it's the right thing. So now I sit there and go, in this decision that can be criticized, any of the decisions could be criticized, I'm fine with criticism, we're able to take Fairmount offline. We're able to fill the Flats with Wichita State students, but more importantly to the vision and mission of this university is how do we get students on our campus? How are we creating those collision spaces with businessmen? We have 400 Airbus employees. We're building partnership 2. That's going to be full of more business people. We have two other pretty large companies that we think are pretty close. The only piece that's missing is students. And if we don't change how we're managing Fairmount, we're never going to make that decision to move them over there. So it just seemed like the right time to have the conversation with the developer, who's willing to take a loss, to solve this problem. Allowing us to figure out how to move resources around to get Fairmount offline. So we look at this and say, you know what, it's very short, it's a very quick decision. Everybody who, you know, a year ago looked at the plan, this is not the same plan. Those are all true statements. But we believe the decision we've reached today, regardless of what other decisions could have been made or is this the totally best decision, when in light of all criticism, of all things being equal, this was the right decision to be made. And that's why we went forward. It's not the developer coming to us and asking us, hey, what are you doing to fill it? It was us saying this is the best for the university. Truly and honestly it was housing saying we would rather run it as a dorm than just rent space, and can we change the model, and they were open to that process.

SWAIM: So, I'm not — I — I've been told there's no actual written agreement for this year, but it's being worked on. But my question is, it seems like putting two people in a room that was previously for one person, that model, putting extra beds in, yeah, yes they're both paying less, but then, does each unit make more money than it would have previously, with two students, or is it a comparable?

SCHLAPP: Your problem is, obviously two people are cheaper than one, but there's also people who signed single-occupancy over there that are going to have single-occupancy over there. I mean, the contract will be — and here's — honestly, here's where we're at. We went to the regents under university housing, which totally fine way to do this, and notified them that we were doing this. Had conversations with **Blake**. He was fine with it. When he got it, talked to their attorney, they felt it would be better if we went under the private-housing model, which is fine. So there's a couple more steps and approvals that have to go through that. All that is fine. You know, long run, we think it's going to be a win-win for the private developer and for the university. This current year, I mean, even with double-occupancy, we're only talking about 300 kids, so you're double-occupied — you're still going to have empty rooms, you're going to have single-occupancy rooms at Fairmount rate because they did that. Those are all things that drive those costs down to a place where, again, they were probably looking at a break-even of about probably 16, 17 dollars a square foot, and we're going to be giving them about half of that. So again, it's all about how do we start this process of getting those kids on the campus. Were they willing to eat — I mean, the easy answer for them is hell no we're not doing it. We're hiring Case and Associates and we'll have it full here in a couple months, it's going to be fine.

HELDMAN: The wonderful by-product of this is students are going to get a vastly nicer place to live, and I thought your headline should have been: "Sunflower opposes nicer places to live for students." That's really what you did.

SWAIM: Not at all.

HELDMAN: Have you — have you — have you been to **Fairmount Towers**.

SWAIM: Mmhmm.

HELDMAN: And have you been to **the Flats**?

SWAIM: No, not inside.

HELDMAN: I think you really need to see it, and do it on your own, go on a tour tomorrow afternoon, or I'd be happy to arrange it. I think you ought to know what you're writing about.

SCHLAPP: Because honestly, the headline is, saying that, implied that there was a change in how housing was paid — that tax dollars and grants and scholarships were going to be used to pay for a dorm, and a private dorm. Well, that's been the truth forever. And that's been how we've always done this. So for students who want to qualify for Pell Grant, if they don't want to live on campus, they can use their Pell Grant for private housing. I mean and that was the part, probably, the most disappointing part of the story was, I get it, all right. I'm a conservative republican, I get it. There's no better fodder than throwing out can you believe taxpayers' money is being used for this. Because everyone gets crazy "OH YEAH I CAN'T BELIEVE THIS." But the fact of the matter is that that model is no different that the model has always been and always will be. And really the benefit is for kids on Pell Grant, they're going to get to live in a much better place. Peep — the kids who didn't want to spend as much money and chose to live in Fairmount are going to be in a much better place. I don't know how it's not a benefit to students to be there versus Fairmount Towers. And to imply that there was some funding trick to allow that to happen, I just, again, I mean it's your paper, you need to sell papers, I get it, but it really is a pretty deceitful, dishonest —

SWAIM: It was only the information given to me by Teri Hall. And that was the reasoning given. I have a full transcript I'm going to send you. But that's, I can't decide that it's because the housing and these different discussions, if no one tells me that. She said it's so students could apply their student loans to this. Or, their financial aid.

SCHLAPP: My point is it wouldn't have taken much research — you've done a lot of research on this. It wouldn't take much research. It wouldn't. All you'd have to do is go to the Pell Grant website and determine what that money can and can't be used for. A second phone call to somebody else could have cleared that up. But, again, I get it. Right?

HELDMAN: There are some, and I think what Teri was referring to, was there are some scholarships, and they're not the majority, but there are some scholarships that — that say on-campus housing. And I think that was the original issue, but the —

MOSES: But it is disingenuous to think that — that you didn't think that headline wasn't salacious and was going to sell papers. You did — didn't think that was a factual statement, I mean.

SWAIM: It is indeed factual, though.

SCHLAPP: It's not factual though. It's 100 percent lie. 100 percent false statement.

SWAIM: It's 100 percent true.

SCHLAPP: How?

SWAIM: The headline reads —

HELDMAN: I've spent too many years in the newspaper business to argue about past headlines.

SCHLAPP: It's fine.

HELDMAN: I do want to stay on your subject because I need to get going here pretty quick. What else about conflict, because if we haven't set your mind at rest I want to talk about what else is on your mind.

SWAIM: Is anything I've said — do you think it will be addressed, should be addressed, has been addressed appropriately?

HELDMAN: Well, it's flat-out wrong interpretation of the situation. You've raised two issues: the Bardo routine salary increase.

SWAIM: Well, that was just an example. Decisions that he would be in charge of that directly affect the university in ways that it is Bardo generally asking for things from the board or presenting to the board. You know, tuition and fees increases.

HELDMAN: Sure. They're his bosses.

SWAIM: Uh-huh. So, I mean, that's what I'm talking about.

HELDMAN: Then — then — then what it does is imply two extremely dishonest people who through no other actions have shown that they're dishonest. And as I've said, you're dealing with people's reputations, and I think you have to ask yourself do I really believe this. And if you really believe it and can back it up, good luck. But in neither of the instances that you cited, would they have any credibility for anyone who has a scintilla of sophistication. Could you sell it to people who don't work in these worlds and don't know these people? Absolutely. Because there are plenty of people who want to believe the worst.

SWAIM: And they're paying your salary.

HELDMAN: Oh, my salary? Absolutely. So that must be why I think this way.

SWAIM: I mean, that's — that sounds a little patronizing, to imply that people are too dumb to understand this.

HELDMAN: No, it's not that they're too dumb to understand it. It's that I — what I'm saying is that anyone acquainted with the facts would say that's hogwash.

SCHLAPP: You're saying that, **Dr. Bardo**, for whatever his salary was, \$3,000 or \$5,000 is willing to break the law to help **David Murfin** and that he can be bought for three- or five-thousand dollars. And that **Dave Murfin**, who is close to a billionaire, dealing with a pretty small project in his world, is willing to break the law and go to jail and ruin his reputation to get a little bit more money. And I just don't believe that to be true. Just as in the legislature, I don't believe that me taking somebody out to dinner, or taking them to a basketball game, buys their vote. Now, it's always the story, and people believe it to be true. But it's a difference for a perception of what people believe, right, and to committing a crime. Which is about what we're talking about here. And there is a level that has to be proved to commit a crime. And if you imply that a crime's been committed, then all, I think all we're trying to say is, as a favor to you, is make sure you're right. Because these people who you say committed a crime, aren't going to be thrilled that you wrote that story.

MOSES: And, **Chance**, you need to, you need, you need to, you do need to understand something.

SWAIM: Is a conflict of interest a crime?

SCHLAPP: Yes. Absolutely a crime. That's why there's — absolutely.

MOSES: You need to understand something, to follow up on what Andy's saying, that you have a responsibility, you have a — it is incumbent on you to do responsible reporting. And my job is to defend this institution. And you need to be careful — and this is not a threat — please don't misinterpret this. I'm just trying to do my job as general counsel for this institution. That, if you do something that impugns the character of an individual that feels that it is their responsibility then to defend themselves by some form of legal action, this university can't defend you. Because that it inconsistent with the best interest of this institution and what is right. My job is to let you know that. It's not intended to be a threat. I'm just doing my job. So, I just want to make sure you understand that. And, if you're going to impugn the character of individuals based upon things that you think are facts, you need to be prepared for the consequences of those, if you feel that they have been damaged as a result of irresponsible, libelous reporting. I as — this institution can't defend you, because we've explained to you it is not a conflict. There is no conflict out there. And people like to throw that word around lightly, but, you know, I'm going to — you receive the bulk of your funding from student fees, correct? Very little of it is advertising.

SWAIM: Well, there's quite a bit from advertising.

MOSES: Yeah. I'll challenge you on that. I'll challenge you on that.

HELDMAN: That's not true. What's the percentage?

MOSES: What are your facts.

SWAIM: Last year wasn't much. I know years past, 80 grand.

HELDMAN: Wasn't it under 10 percent last year of your total revenue.

SWAIM: I don't believe so.

MOSES: My point is you, in your reporting, based upon your warped logic, leap, whatever you want to call it, you have a conflict of interest and you should not be reporting if you're reporting true facts on anything that involves the students because you're being funded by the students. So, using your logic, which is flawed in my opinion, to leap to a conflict of interest inclusion, you've got one too, dude. You really do.

SWAIM: So it's a conflict to provide a service that is stated to someone?

SCHLAPP: That's what you said. That's exactly what you said.

MOSES: Yeah, that's exactly what you said, Chance. You say that's what **Dave Murfin's** doing.

SCHLAPP: **Dave Murfin**, whose job is to compensate, therefore, because that's his job, and it's spelled out that is his job, you're saying if he does his job, it's a conflict. And that's — and I think that what we're trying to say to you is in that scenario, everybody has a conflict, and nobody has any independence to say, hey, I'm going to do this anyway. I truly believe you're doing this because you think it's the right thing to do. If somebody came to you and said, "Hey, we're not as students, and we pay your salary, we're not going to stand for that," you would say, "Screw that, I'm doing the story because it's the right thing to do." I don't care if you do it or not. And I promise you, promise you, if you went to Bardo and Bardo was told by **Murfin** if I give you a \$3,000 raise, we're not telling anybody, you're going to fund, you're going to fix this, and you're going to do this for me on the **Innovation Campus**, I promise, **Dr. Bardo** would tell **Dave Murfin** to go screw off. I promise you. He would tell him, "That's not enough money. That's not anything. I can't be bought. I want to be a president of a university." So I don't see the difference there. So that's the leap. So, what you're saying is **Dr. Bardo** would, for \$3,000, give **David Murfin** a special deal. And he will.

SWAIM: That's not what I'm saying.

SCHLAPP: It is. It's exactly. Then what's the conflict?

SWAIM: Then what's the point of conflict of interest law or policy?

SCHLAPP: It's to make sure people know when decisions are made, that those things didn't happen. That's why **David** disclosed what he did. That's why we go to a public meeting and talk about what we want to do. That's why you're here talking about **the Flats**, asking the questions, because it's all public. Because we want it to all be public. Because we want to have the conversation. Because we get, if it's quiet, then it's really easy to do it. But the truth is, the public conversation, all of this, we all know. I mean, we're not sitting in this because we're surprised we're having this conversation. We knew this was going to be the story. The issue is, we need to make sure there's no conflict. And there is no conflict. I mean, there's no place in, along this continuum, that we are doing this for the personal benefit of somebody else. That's not a true statement.

SWAIM: But it doesn't. There's no recognition that decision made about this university and then decisions made within the **Innovation Alliance** are complicated by different members' positions — **Bardo** and **Murfin** and potentially **Tomblin**.

SCHLAPP: Unequivocally I can answer absolutely not. That does not enter into the reason you do what you do. Now, it's good to know that it exists, but at the end of the day, not one time has the conversation ever been 'We got to help **Dave Murfin**, because if we help **Dave Murfin**, then president **Bardo** can get a raise.' Not one time has that been a conversation or anything we talk about. Period, the end. And when you sit in a room with people and you make a decision, and I sit on a lot of boards, and I run a lot of boards, at the end of the day, everybody in that room is — chooses to do what's best for that institution that they're running. They know the hat they're wearing. They know what their job is, and they do it. And I think most people are ethical and honest and most people can separate those things. And everybody can look and say, you can't separate it, and I just don't agree with it. I hundred percent disagree with that statement. I hundred percent disagree with the logic you're presenting. Dots are easy to connect, and the one thing I've learned in being in the legislature and government and trying to understand why decisions are made, the simple and easy dots to connect are always 100 percent wrong.

MOSES: And you started out this conversation referring to the **BKD audit**, and the **BKD audit** said there's nothing — they didn't find anything wrong. So, apparently you have decided BKD was wrong. So.

SWAIM: Right. They said. I have it right here. And it's talking about the, that you know, when interviewed a lot of people did bring that up as a potential conflict —

MOSES: I don't think it says a lot of people brought it up.

SWAIM: It was addressed by —

MOSES: It's been a while since I've read it, but I don't think it says a lot of people.

SWAIM: Well, not a lot of people.

MOSES: But, Chance, this is another example of these leaps that you're making.

SWAIM: That's — that's — **BKD** said —

MOSES: That's a leap. It's a leap. They didn't say a lot of people.

SCHLAPP: They didn't, and they also didn't say there was conflict of interest.

MOSES: And they didn't say there's a conflict of interest. They didn't was a problem.

SCHLAPP: They said that it would be good to have a statement on conflict. So they didn't say they found a conflict. What they said was in the future it would be good to have a statement on conflict of interest. Way different.

MOSES: Yeah. And, again, it's a leap that you're making that is not founded on facts, and that's where people get in trouble.

SWAIM: (Reading from BKD audit report:) "During our interviews, some individuals expressed a variety of concerns regarding a perceived lack of transparency and possible conflicts of interest in regards to the development of **Innovation Campus**. For instance, a

common topic was the involvement of developer **MWCB** which we understand is owned in part by regent **David Murfin**. We discussed this issue with **President Bardo**, who said ... " yeah, three months prior, they had already been involved in **Innovation Campus** and that he had, you know, excused himself from any votes directed toward that. My question is, does that, does, can he then make decisions, either one of them that aren't — that aren't also governed by their outside interests there?

MOSES: **BKD** put a lot of time into that. You just read what they wrote. I haven't seen that anywhere in any of your reports. You've only pulled out some negatives you wanted to pull out, and **BKD** had available to them, the exact question that you're asking, which is does **Murfin** have a conflict by voting on **Dr. Bardo** because he works for the board of regents and nowhere in there did they say that that's a problem. **Chance** thinks it's a problem. Or some body that is feeding **Chance** information, or trying to guide **Chance** in a certain direction is trying to get you to say that. But **BKD** had every opportunity in that report to say, "Hey, we also think it's a problem that **Murfin** is involved in decisions involving WSU, because he is involved in **MWCB**." Nowhere does it say that. But you've decided that that was wrong. **BKD**, the expert auditors, nowhere say that. Nowhere, **Chance**, that I remember. Correct me if I'm wrong.

SWAIM: (Reading from **BKD audit**): "Based with our interviews with members of the President's Executive Team, other concerns remain."

MOSES: So, you have now decided they had available to them all the information that you're talking about (inaudible) ... so, you've drawn this conclusion that **BKD** found no facts to support that **Murfin** can't vote on anything involving WSU and **Bardo's** salary. And **BKD** could have said that, and they didn't. They never addressed it.

SWAIM: Well, that's not what I'm arguing. I'm not arguing.

MOSES: No, you are arguing that. You've drawn a conclusion that the trained expert auditors, independent auditors, didn't find. So you're smarter than them, I guess. More power to ya. But you're sitting here, making this leap, when **BKD** did an audit, they had this information. You've read this, "Oh, some people had some concerns, some people had some perceived conflicts." **BKD** had interviews out the ying-yang. They had the opportunity that you've raised, and no where in there did they address a concern about that. So now all of the sudden, they're wrong and you're right. I think you are treading on very thin ice, **Chance**. I really do. But, I just —

SWAIM: I disagree. I think this is an important issue to a lot of people, and that this does say that concerns remain. And that the university may choose to take steps to address it. And —

MOSES: Now, how does that — how do you make the leap from that to the fact that **Murfin** has violated the law.

SWAIM: That's not what I ever said.

MOSES: If you write an article that says there is a perceived conflict of interest on the part of the Chairman of the board of regents involving —

SWAIM: I wouldn't say that, either, because no one else said it.

MOSES: Then what they heck are you going to say?

SWAIM: I'm laying these things out, and giving you a chance to explain it because people want to know.

MOSES: And we're telling you.

SWAIM: And I appreciate it. Thank you. I'm not trying to fight you on it. I just want to know why these things are going on, and a lot of people do, too. It's for clarity's sake. And I think this does raise questions about that. And the interviewees do, too.

MOSES: I — I — I disagree. Respectfully disagree.

HELDMAN: I was going to say that we answer your questions, but I think we answered some of them six or seven times. But I do have to get moving. Is there anything else you need?

(SCHLAPP KNOCKS ON DOOR).

SCHLAPP: I don't know the secret knock.

MOSES: That was it.

SCHLAPP: All right. Police.

SWAIM: I don't think so.

HELDMAN: Thank you. I'm going to turn of the recorder unless anyone has anything else to say.

SWAIM: Nice to meet you.

SCHLAPP: Nice to meet you. Yeah. Yeah. You ever need anything, call me.

SWAIM: The — these regents meetings. Do you go to those a lot? Because I'm going to make sure we get up there to them, and so I'll see you around there, too.

SCHLAPP: Absolutely. And if you're ever in Topeka, I'm there all the time. Unfortunately.