

CONFLICT OF INTEREST POLICY

California State University, Northridge Foundation, a California nonprofit public benefit corporation ("**Foundation**"), has adopted the following policy:

1. PURPOSE

The purpose of this Conflicts of Interest Policy is to protect the Foundation's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Foundation. This policy is intended to assure that the interests of all parties in such a transaction are disclosed to and addressed by the Foundation's Board of Directors. This policy is intended to supplement but not replace any state laws governing conflicts of interest involving nonprofit corporations.

2. DEFINITIONS

- 2.1** 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 Foundation has a Transaction;
 - b) a Compensation arrangement with the Foundation or with any entity or individual with which the Foundation 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 Foundation is negotiating a Transaction.
- 2.2** An "**Interested Person**" is
- a) any director, principal officer, or member of a committee with Board-delegated powers,
 - b) any other person who was, at any time during the 5-year period immediately preceding the date of a proposed Transaction, in a position to exercise substantial influence over the affairs of the Foundation,
 - c) a Family Member of any of the above or
 - d) a 35% Controlled Entity.
- 2.3** A "**Family Member**" is an ancestor, spouse, brother or sister, spouse of any brother or sister, children, grandchildren and great-grandchildren and the spouses of children, grandchildren and great-grandchildren.
- 2.4** A "**35% Controlled Entity**" means:
- a) a corporation in which persons described in clauses (a) through (c) of Section 2.2, either alone or collectively, own more than 35% of the total combined voting power;

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- b) a partnership or limited liability company in which persons described in clauses (a) through (c) of Section 2.2, either alone or collectively, own more than 35 % of the profits interest; or
- c) a trust or estate in which persons described in clauses (a) through (c) of Section 2.2, either alone or collectively, own more than 35% of the beneficial interests.

2.5 A "**Transaction**" is any of the following which involves the Foundation or to which the Foundation is a party:

- a) business dealings,
- b) an arrangement, agreement, or undertaking with respect to the payment of compensation by the Foundation,
- c) agreement,
- d) undertaking,
- e) financial dealings,
- f) relationship, or
- g) any other arrangement, circumstances, or situation of any description or nature whatsoever.

2.6 "**Compensation**" includes wages paid to an employee for services rendered, payments to an independent contractor, remuneration or other consideration of any type whatsoever for any services rendered and any direct or indirect payment, remuneration, transfer of assets, whether for services or otherwise, and gifts or favors which are substantial in nature.

2.7 **Affiliates and Affiliated Persons.** For any person described in clauses (a) through (c) of Section 2.2 who is a member of the administrative staff or faculty of California State University, Northridge ("CSUN"), CSUN is an "**Affiliate**" and the person is an "**Affiliated Person**" with respect to CSUN. For any person described in clauses (a) through (c) of Section 2.2 who is an officer or director of or renders services for Compensation to any auxiliary organization (as defined in Section 89901 of the California Education Code) of CSUN, an "**Affiliate**" is that auxiliary organization and any entity which the auxiliary organization controls, directly or indirectly (or the Board of Directors of which the auxiliary organization elects, directly or indirectly, a majority of the members) and the person is an "**Affiliated Person**" with respect to that organization.

3. PROCEDURES

3.1 **Duty to Disclose Affiliation.** In connection with any actual or possible Transaction with an Affiliate, the Affiliated Person must disclose in writing as soon as practical the existence his or her role in the Affiliate *and all material facts* to the directors and to

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members of committees, if any, with Board-delegated powers to consider the proposed Transaction. Such disclosure shall be made no later than such Affiliated Person's participation in any action or decision by the Board of Directors or meeting of any committee of the Board pursuant to which the Foundation considers, approves or undertakes any Transaction involving such Transaction.

3.2 Duty to Disclose Financial Interests. With respect to any Transaction, an Interested Person must disclose in writing as soon as practical the existence of his or her Financial Interest *and all material facts*. This disclosure must be made to the directors and to members of committees, if any, with Board-delegated powers to consider the proposed Transaction. This disclosure shall be made no later than such Interested Person's participation in any action or decision by the Board of Directors or meeting or any committee of the Board pursuant to which the Foundation considers, approves or undertakes any portion of the Transaction.

3.3 Procedures for Addressing a Financial Interest

- a) An Interested Person may make a presentation at the Board or committee meeting concerning the Interested Person's Financial Interest in a Transaction, but after such presentation, he/she shall leave the meeting during the discussion of, and the vote on, the Transaction.
- b) The presiding officer of the Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed Transaction.
- c) After exercising due diligence, the Board or committee shall determine whether the Foundation can obtain a more advantageous Transaction with reasonable efforts from a person or entity that would not give rise to a Financial Interest.
- d) If a more advantageous Transaction is not reasonably attainable under circumstances that would not give rise to a Financial Interest, the Board or committee shall determine by a majority vote of the disinterested directors whether the Transaction is:
 1. in the Foundation's best interest;
 2. for the Foundation's own benefit; and
 3. whether the Transaction is fair and reasonable to the Foundation.

The Board or committee shall make its decision as to whether to enter into the Transaction in conformity with such determination.

3.4 Failure to Disclose

- a) If the Board or committee has reasonable cause to believe that an Interested Person has failed to disclose a Financial Interest, it shall inform the Interested

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Person of the basis for such belief and afford the Interested Person an opportunity to explain the alleged failure to disclose. If, after hearing the response of the Interested Person and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the Interested Person has in fact failed to disclose an actual or possible Financial Interest, the Board or committee shall take appropriate disciplinary and corrective action.

- b) If the Board or committee has reasonable cause to believe that an Affiliated Person has failed to disclose a role in Affiliates with whom the Foundation has actual or possible Transactions, it shall inform the Affiliated Person of the basis for such belief and afford the Affiliated Person an opportunity to explain the alleged failure to disclose. If, after hearing the response of the Affiliated Person and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the Affiliated Person has in fact failed to disclose an actual or possible Transaction with an Affiliate, the Board or committee shall take appropriate disciplinary and corrective action.

4. RECORDS OF PROCEEDINGS

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

- a) The names of the Affiliated Persons who disclosed or otherwise were found to have a role in an Affiliate and the nature of the role;
- b) The names of the persons who disclosed or otherwise were found to have a Financial Interest in actual or possible Transactions, the nature of the Financial Interest, any action taken by the Board or committee to avoid the Financial Interest; and
- c) The names of the persons who were present for discussions and votes relating to the Transaction, the content of the discussion, including any alternatives to the proposed Transaction, and a record of any votes taken in connection with it.

5. COMMITTEES CONSIDERING COMPENSATION MATTERS

- a) **Voting.** A voting member of any committee whose jurisdiction includes Compensation matters and who receives Compensation, directly or indirectly, from the Foundation for services is precluded from voting on matters pertaining to that member's Compensation.
- b) **Committee Membership.** Directors who receive Compensation, directly or indirectly, from the Foundation, whether as employees or independent contractors, are precluded from membership on any committee whose jurisdiction includes Compensation matters.
- c) **Information.** No director, either individually or collectively, is prohibited from providing information to any committee regarding director Compensation.

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6. ANNUAL STATEMENTS

Each director, principal officer and member of a committee with Board delegated powers shall annually sign a Compliance Statement in substantially the form attached which lists all such person's roles, if any, with Affiliates and affirms that such person

- a) Has received a copy of the conflicts of interest policy;
- b) Has read and understands the policy;
- c) Has agreed to comply with the policy;
- d) Understands that the Foundation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes; and
- e) Either is not aware of any Transaction in which an Interested Person has a Financial Interest, or has disclosed each such Transaction of which such person is aware.

7. PERIODIC REVIEWS

To ensure that the Foundation operates in a manner consistent with its charitable purposes and that it does not engage in activities that could jeopardize its status as an organization exempt from federal income tax, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a) Whether Compensation arrangements and benefits are reasonable and are the result of arm's-length bargaining;
- b) Whether any Transaction resulted in private inurement or impermissible private benefit;
- c) Whether partnership and joint venture arrangements and arrangements with management service organizations conform to written policies, are properly recorded, reflect reasonable payments for goods and services, further the Foundation's charitable purposes and do not result in private inurement or impermissible private benefit.
- d) Whether agreements with service providers, employees and third-party payers further the Foundation's charitable purposes and do not result in private inurement or impermissible private benefit.

The President of the Foundation shall conduct the periodic review not less frequently than annually, and shall report on his findings to the Executive Committee before the conclusion of the annual audit of the Foundation's books and records.

8. USE OF OUTSIDE EXPERTS

In conducting the periodic reviews provided for in Article 7, the Foundation may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

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Conflict of Interest regulations, as outlined in the California Education Code, are set forth below:

§89906 - FINANCIAL INTEREST PROHIBITED. No member of the governing board of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he/she is a member, and any contract or transaction entered into in violation of this section is void.

§89907 - EXCEPTION. No contract or other transaction entered into by the governing board of an auxiliary organization is void under the provisions of §89906, nor shall any member of such board be disqualified or deemed guilty of misconduct in office under said provisions, if the circumstances specified in the following subdivisions exists:

- (a) The fact of such financial interest is disclosed or known to the governing board and noted in the Minutes, and the governing board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such financially interested member or members, and
- (b) The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved.

§89908 - CERTAIN PROVISIONS NOT APPLICABLE. The provisions of §89907 shall not be applicable if the circumstances specified in any of the following subdivisions exists:

- (a) The contract or transaction is between an auxiliary organization and a member of the governing board of that auxiliary organization.
- (b) The contract or transaction is between an auxiliary organization and a partnership or unincorporated association of which any member of the governing board of that auxiliary organization is a partner or in which he is the owner or holder, directly or indirectly, of a proprietorship interest.
- (c) The contract or transaction is between an auxiliary organization and a corporation in which any member of the governing board of that auxiliary organization is the owner or holder, directly or indirectly, of five (5) percent or more of the outstanding common stock.
- (d) A member of the governing board of an auxiliary organization is interested in a contract or transaction within the meaning of §89906, and without first disclosing such interest to the governing board at a public meeting of the board, influences or attempts to influence another member or members of the board to enter into the contract or transaction.

§89909 - UNLAWFUL TO UTILIZE NONPUBLIC INFORMATION FOR PERSONAL PECUNIARY GAIN. It is unlawful for any person to utilize any information, not a matter of public record, which is received by him/her by reason of his/her membership of the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he/she is or is not a member of the governing board at the time such gain is realized.