



Board of Directors – Conflict of Interest Policies and Procedures

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Definition

Relative. For the purpose of this policy, a relative is an immediate family member (husband, wife, children, parents).

Introduction

The Forty-Niner Shops, Inc. (Company) recognizes the right of members of the Board of Directors (Board) to participate in private activities outside their associations with the Company. However, the Company expects and requires that all members of the Board conduct their personal and

business matters so as to avoid actual, potential or apparent conflicts between their interests and the interests of the Company or California State University, Long Beach. Board members are expected to avoid even the appearance of impropriety in the performance of their duties and are prohibited from using their positions or knowledge gained from their Board membership to inappropriately benefit themselves or their relatives.

Conflict of interest arises whenever the personal or professional interests of a Board member are potentially at odds with the best interests of the Company. Potential conflicts are common. For example, a Board member performs professional services for the Company, or proposes that a relative be considered for an employment position. Such transactions are perfectly acceptable if they benefit the Company and if the Board made the decisions in an objective and informed manner. They are vulnerable to legal challenges and public misunderstanding.

If an activity is contemplated that could result in a real or perceived conflict of interest, the Board member must make full disclosure of the activity to Chair or General Manager/CEO for prior review and approval.

Scope of Policies and Procedures

These policies and procedures apply to all Company Board members.

Policies

1. General Examples are Illustrative Only.

The following sets forth general principles that both guide and protect members of the Board and that contain broad examples outlining expected behavior. Since it is impractical to address all possible potential conflicts, specific questions about the propriety of conduct or business relationships should be brought to Chair or General Manager/CEO's attention.

2. Integrity.

Members of the Board have, as their first duty, to conduct themselves in a manner deserving of public trust and confidence. The Company's reputation for excellence and fairness in its business activities is built upon each individual's conduct. The Company expects all Board members to conduct themselves with the utmost integrity and the highest of ethical standards at all times.

3. Unlawful Use of Company Information.

It is unlawful, under the California Education Code, for any person to utilize any information, not a matter of public record, that is received by that person by reason of his or her membership on the Board of the Company for personal pecuniary (financial) gain, regardless of whether the person is or is not a member of the Board at the time such gain is realized.

4. Board of Directors Conflicts of Interest

A conflict of interest may exist when the interests or concerns of a Board member may be seen as competing with the interests or concerns of the Company. The varieties of situations that raise conflict of interest concerns include, but are not limited to:

4.1. Financial Interests.

A conflict may exist where a Board member directly or indirectly benefits or profits as a result of a decision, policy or transaction made by the Company. Examples include situations where:

- 4.1.1. The Company contracts to purchase/lease goods, services, or property from a Board member.
- 4.1.2. The Company offers employment to a Board member, other than a person who is already employed by the Company
- 4.1.3. A Board member uses his/her relationship with a Company's client to obtain employment, a contract or other benefit.
- 4.1.4. A Board member is provided use of the facilities, property, or services of the Company in a manner that would not be available to other non-Board members or employees.
- 4.1.5. The Company adopts a policy that specifically creates a financial benefit to a Board member.

4.2. Other Interests.

A conflict also may exist where a Board member obtains a non-financial benefit or advantage that he/she would not have obtained absent his/her relationship with the Company. Examples include where:

- 4.2.1. A Board member seeks to make use of confidential information obtained from the Company or a Company's client for his/her own benefit (not necessarily financial).
- 4.2.2. The Company adopts a policy that provides a significant nonfinancial benefit to a Board member.

4.3. Outside Activities Which Negatively Impact the Company.

A Board member's outside business activities that compete or potentially could compete with the Company or such activities could damage or impede Company business.

4.4. Inappropriate Use of Company Connections.

A Board member's business interests that might benefit because of access to Company information or through association with the Company.

4.5. Business Interest in Customer/Supplier Connection.

A Board member represents the Company in a business dealing with a customer/supplier where the member holds an interest in the customer's/supplier's business.

4.6. Use of Company Facilities, Equipment, or Supplies for Personal Activities.

A Board member uses Company equipment, supplies or facilities for his/her personal benefit or for the benefit of an outside organization, without appropriate compensation to the Company for the use of such equipment, supplies, or facilities.

5. Appearance of a Conflict of Interest.

The appearance of a conflict of interest may be just as damaging to the Company's reputation as an actual conflict. All Board members should objectively examine their actions periodically so that an outside observer (such as a customer, government agent, vendor, or employee) would have no reason to believe that a conflict of interest might exist.

6. Gifts Received From External Contacts.

Board members and their relatives are prohibited from accepting anything above nominal value (including gifts or cash) from outside business contacts doing business with the Company. These exchanges may be seen as attempts to unduly influence business relationships.

6.1. Discourage Gifts.

The Board member is responsible to tactfully discourage such gifts.

6.2. Board Officer Informed.

Board members who receive gifts from a single business contact of more than \$420 value a year must inform Chair or General Manager/CEO using the "Gifts Received from External Contacts Form".

6.3. Unacceptable Gifts.

Examples of inappropriate gifts or favors include:

- 6.3.1. Expensive Entertainment;
- 6.3.2. Free or discounted travel or vacation facilities;
- 6.3.3. Free or discounted services or equipment;
- 6.3.4. Loans
- 6.3.5. Clothing, jewelry; or

6.3.6 Any gift(s) received from a single business contact totaling more than \$420 in a 12-month period.

6.4. Acceptable Gifts (Exceptions to the Gift Rule).

Normal gifts are acceptable when it is clear that:

6.4.1. The intent is not to try to exert any influence over Company transactions;

6.4.2. The gift is unsolicited; and

6.4.3. The gift is a customary business courtesy. Board members may accept typical business gifts of minimal value such as lunches, plants, pens, holiday candy, or inexpensive entertainment items.

6.5. Personal Gifts.

Members of the Board of Directors may also accept gifts or favors based on clearly identifiable relative or personal relationships, under circumstances motivated by the relationship rather than the business interests.

7. Gifts Given to External Contacts.

No member of the Board of Directors may offer an external business contact a valuable gift in an effort to seek a favorable result for the Company or for any personal interest. It is accepted and appropriate practice to give gifts of minimal value (see 6.4. above), but expensive gifts should not be given to customers or potential customers.

8. Contract Interest.

No Board member 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.

9. Board of Directors Conflict of Interest Statement.

Every year, Board members shall complete and submit to the General Manager/CEO of the Company a "Board of Directors Conflict of Interest Statement." The General Manager/CEO shall retain the original of this form in the Board member's file for the duration of the Board member's term.

Failure to file a "Board of Directors Conflict of Interest Statement" as required or intentionally filing a false or misleading "Board of Directors Conflict of Interest Statement" may result in disciplinary action, up to and including discharge from the Board.

10. Review and Administration of Reported Potential Conflict of Interest.

10.1. Board Member Reports a Potential Conflict of Interest.

If a Board member believes that he/she (or his/her relative) has a financial conflict of interest, he/she must immediately complete and submit a "Board of Directors Disclosure of Financial Interest Statement" to the Board chairperson.

10.2. Board Officer Review

The Board chairperson will review the "Board of Directors Disclosure of Financial Interest Statement" received and determine whether or not a real or perceived conflict of interest exists. In the case where the Board member with a conflict of interest is the Board chairperson, the Board vice chairperson will review the "Board of Directors Disclosure of Financial Interest Statement" received and determine whether or not a real or perceived conflict of interest exists.

10.3. Determination of No Conflict of Interest.

In the case that the Board chairperson determines that there is no real or apparent conflict of interest, the Board chairperson will check the "No conflict of interest determined." box in the Board Review section of the "Board of Directors Disclosure of Financial Interest Statement" and notify the Board member of the finding.

10.4. Determination of Conflict of Interest.

In the case that the Board chairperson determines that there is a real or apparent conflict of interest, the Board chairperson will check the "Conflict of interest determined." box in the Board Review section of the "Board of Directors Disclosure of Financial Interest Statement" and notify the Board member of the finding.

In the case that the Board chairperson determines that there is a real or apparent conflict of interest, the Board will need to decide whether or not to approve the reported activity. After deciding whether or not the reported activity is approved, the Board chairperson will note the determination and any conditions on the "Board of Directors Disclosure of Financial Interest Statement" and notify the Board member of the finding.

11. Ongoing Monitoring.

Board members must maintain an ongoing review of their situations to ensure that changed circumstances do not create violations of this policy.

12. Non-Business Relationships

The Company discourages personal relationships with Company competitors, suppliers, regulators, and other government officials. Such relationships are clearly improper if they can be reasonably construed by others as influencing or obligating the Board member in

current or future business dealings or as attempts to improperly influence others. If the Board member has a question about the appropriateness of a personal relationship with a Company competitor, supplier, regulator, or other government official, he/she should seek the opinion of a Board officer.

13. Disciplinary Action.

Board members who breach or disregard this Conflict of Interest policy will be subject to disciplinary action, up to and including removal from the Board.

Related Policies and Procedures

- 1035. Board of Directors – Confidentiality Policies

Forms

- Gifts Received from External Contracts Form
- Conflict of Interest Statement
- Disclosure of Financial Interest Statement

References

- California Education Code, Sections 89906, 89909
- California Code of Regulations, Title 2, Divisions 6, Section 89503

Version Information

Version	Date	Author	Description (If Applicable)	Approved	Distribution
1.0	03/08/2013	Don Penrod	New Policy created	3/08/2013	Electronic, Manual