I. POLICY STATEMENT

The purpose of this Policy on Interested Party Transactions Involving Trustees, Officers and Key Employees (“Interested Party Transaction Policy,” or the “Policy”) is to protect the College’s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Trustee, Officer, or Key Employee (each as defined below), including to ensure compliance when such transaction or arrangement might otherwise result in a self-dealing transaction as defined in section 5233 of the California Nonprofit Corporation Law (the “Act”) or an excess benefit transaction as defined in section 4958 of the Internal Revenue Code of 1986, as amended (the “Code”).

More generally, the Policy intends to ensure that Trustees, Officers and Key Employees are attentive to situations in which their personal interests might conflict with the College’s interests, so that they can discharge the fiduciary duties associated with their positions, including the duty of loyalty.¹

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¹ Although not expressly referenced in this Policy, a potential conflict of interest transaction involving an Interested Party is a form of an Interested Party Transaction. In particular, a potential conflict of interest transaction arises when an Interested Party has a material Financial or Relationship Interest in an Interested Party Transaction. Materiality, in turn, refers to circumstances when the nature of the Interested Party’s Financial or Relationship Interest could compromise, or be reasonably perceived to compromise, such individual’s ability to make a decision based solely on the best interest of the College with respect such proposed transaction or arrangement.
II. CONTACTS

Direct any questions about this Policy to the Office of the Vice President for Business Affairs and Chief Operating and Financial Officer or the Office of the General Counsel.

<table>
<thead>
<tr>
<th>Contact</th>
<th>Telephone</th>
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<tr>
<td>Office of the VP and COO</td>
<td>909-621-8116</td>
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<tr>
<td>Office of the General Counsel</td>
<td>909-621-8111</td>
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III. DEFINITIONS

(A) Interested Party: For the purpose of this Policy, an Interested Party refers to: any Trustee, Officer, Key Employee, or other person or categories of persons whom the Board may designate as an Interested Party, including all persons listed in Exhibit A.

a. Trustee: A Trustee is a voting member of the College’s governing board, which includes the following categories of Trustees: Regular Trustees, Alumni Trustees, and Ex Officio Trustees.²

b. Officer: The Officers of the College include the Chair of the Board, Vice-Chair(s) of the Board, President of the College, the Vice President for Business and Chief Operating and Financial Officer (“VP & COO”), the Vice President for Academic Affairs and Dean of the Faculty, the Vice President and General Counsel, the Vice President and Chief Investment Officer, the Vice President for Student Affairs, the Vice President for College Advancement, and the Secretary of the College.

c. Key Employee: A Key Employee is an employee of the College, other than a Trustee or Officer, who is in a position to exercise substantial influence over the affairs of the College as evidenced by meeting all three of the following tests, applied in the following order:

i. $150,000 Test: Receives reportable compensation from the College and all related organizations in excess of $150,000 for the calendar year ending with or within the College’s tax year.

ii. Responsibility Test: At any time during the calendar year ending with or within the College’s tax year:

- Has responsibilities, powers, or influence over the College as a whole that is similar to those of a Trustee or Officer;

² Although the College also designates certain individuals as Life Trustees or Honorary Trustees, the College’s Bylaws expressly provide that neither Life nor Honorary Trustees shall be considered as members of College’s governing board for the purposes of the Act.
• Manages a discrete segment or activity of the College that represents 10% or more of the activities, assets, income, or expenses of the College, as compared to the College as a whole; or

• Has or shares authority to control or determine 10% or more of the College’s capital expenditures, operating budget, or compensation for employees.

iii. Top 20 Test: Is one of the 20 employees other than a Trustee or Officer who satisfy the $150,000 Test and Responsibility Test with the highest reportable compensation from the College and related organizations for the calendar year ending with or within the College’s tax year.

(B) Disqualified Person: For the purpose of this Policy, Disqualified Person refers to (1) any Interested Party at any time during the five-year period ending on the date of the proposed transaction, (2) a Family Member of any Interested Party, and (3) a Controlled Entity of persons in (1) and (2).

a. Family Member: The spouse, ancestors, spouse’s ancestors, siblings (whole or half-blood), descendants (natural or adopted), and spouses of siblings and descendants of an Interested Party.

b. Controlled Entity: A Controlled Entity is defined as any entity where an Interested Party, together with any Family Members of an Interested Party, owns more than 35% voting power of a corporation, more than 35% profits interest of a partnership, or more than 35% beneficial interest of a trust or estate.

(C) Interest: The term Interest refers to either a Financial Interest or a Relationship Interest.

a. Financial Interest: A Financial Interest exists when an Interested Party, either directly or indirectly through a Family Member or Controlled Entity, has:

(1) An ownership interest or investment interest in any entity with which the College has a transaction or other arrangement;

(2) A compensation arrangement with the College, or with any entity or individual with which the College has a transaction or arrangement;

(3) A potential ownership or investment in, or compensation arrangement with, any entity or individual with which the College is negotiating a transaction or arrangement; or

(4) An ownership or investment interest in, or compensation arrangement with, an entity or person who is an adverse party in any litigation, arbitration or other proceeding for the resolution of any dispute with the College.

Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.
b. **Relationship Interest:** A Relationship Interest exists when an Interested Party, either directly or indirectly through a Family Member or Controlled Entity, has a non-financial or non-economic relationship in a proposed transaction or arrangement with the College.

(D) **Interested Party Transaction:** The term Interested Party Transaction refers to any transaction or arrangement involving the College where a Disqualified Person (i.e., an Interested Party or a Family Member or Controlled Entity) has any Financial or Relationship Interest in the transaction or arrangement.

a. **Materiality:** For the purpose of this Policy, an Interested Party Transaction is considered **material** when the nature of the Interested Party’s direct or indirect, such as through a Family Member or Controlled Entity, Financial or Relationship Interest could compromise, or be reasonably perceived to compromise, an Interested Party’s ability to make a decision based solely on the best interest of the College with respect such proposed transaction or arrangement.

b. **Self-Dealing Transaction:** Self-Dealing Transaction refers to any Interested Party Transaction: i) in which a Trustee(s) has a material Financial Interest in the transaction; and, ii) which is not otherwise authorized pursuant to Section 5233 of the Act or approved pursuant to Section VII of this Policy.

c. **Excess Benefit Transaction:** Excess Benefit Transaction refers to any Interested Party Transaction pursuant to which a financial or economic benefit conferred upon a Disqualified Person exceeds the reasonable value of the consideration received by the College.3

Determined with respect to whether an Interested Party Transaction is material or whether it represents a potential Self-Dealing or Excess Benefit Transaction are made exclusively by the Committee; provided, however, that the Committee retains the discretion to refer such determinations to the Audit Committee, an Ad Hoc Committee, or the Board under this Policy.

(E) **Board:** The Board of Trustees of the College, which is the College’s governing board under the “Act.”

(F) **Audit Committee:** The Audit, Compliance, and Risk Committee of the Board.

(G) **Committee:** The Interested Party Transaction Review Subcommittee of the Executive Committee of the Board. The Committee shall be comprised of the Chair of the Board, the Chair of the Board Affairs Committee, and the Chair of the Audit Committee; provided, however, that the Committee retains the discretion to refer any matter delegated to it under this Policy to an Ad Hoc Interested Party Transaction Review Committee.

(H) **Ad Hoc Committee:** An Ad Hoc Interested Party Transaction Review Committee of the Board established by the Committee to fulfill one or more responsibilities of the Committee under this Policy with respect to the review and consideration of an Interested Party Transaction. In the event that the Committee establishes an Ad Hoc Committee, such
Committee shall include at least five Regular Trustees and shall include at least one member of the Audit Committee and one member of the Board Affairs Committee.

IV. INTERESTED PARTY TRANSACTION POLICIES

(A) Interested Party Transactions. It shall be the policy of the College to avoid entering into any Interested Party Transaction unless appropriate steps are taken to ensure that: i) the associated Interested Party is not in a position to unduly influence the authorization or approval of the transaction; ii) the transaction’s terms are fair and reasonable, and iii) entering into the transaction is in the best interests of the College.

(B) Self-Dealing Transactions. Consistent with Section 5233 of the Act, the College shall only be a party to a transaction in which a Trustee has a material Financial Interest if:

1. The transaction is part of a public or charitable program of the College that is both approved by the College in good faith and without unjustified favoritism and results in a benefit to a Trustee or a Trustee’s Family Member because the Trustee or the Trustee’s Family Member is in a class of persons intended to be benefited by the public or charitable program;

2. The transaction is one of which the Trustee has no actual knowledge and which does not exceed the lesser of one percent (1%) of the gross receipts of the College for the preceding fiscal year or $100,000;

3. The transaction is approved, whether before or after the consummation of the transaction, by the Attorney General of the State of California or the court in an action in which the Attorney General of the State of California is an indispensable party;

4. The transaction involves setting the compensation of a Trustee and the transaction is approved by the Board fixing the compensation of a Trustee as a Trustee or Officer of the College pursuant to the College’s Executive Compensation Policy; or

5. The transaction is approved pursuant to Section VII of this Policy.

(C) Excess Benefit Transactions. It shall be the policy of the College not to enter into an Excess Benefit Transaction in relation to a Disqualified Person and to ensure that the value the College receives equals or exceeds what it pays with respect to any Interested Party Transaction in which a Disqualified Person has any Financial Interest.

V. DUTY TO DISCLOSE INTERESTS AND POTENTIAL INTERESTS TO THE COMMITTEE

(A) Annual Disclosure and Acknowledgment

1. Each year, every Interested Party shall make and sign a statement that:

   a. Provides a full written disclosure of any Interests that they have to the Committee.

   i. Interests reported in prior years must be reported again so long as the underlying Interest continues.
b   Affirms that they have received a copy of this Policy;

c   Affirms that they have read and understand this Policy;

d   Affirms that they agree to comply with the Policy; and,

e   Affirms their understanding that the College is a charitable organization and, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

(2) Interested Parties shall make the annual disclosure and acknowledgment described above on a questionnaire or such other forms or electronic systems as required by the College.

(3) The foregoing Annual Disclosures and Acknowledgments will be reviewed by the Committee on an annual basis.

(B) Before a Proposed Interested Party Transaction

(1) In connection with any potential or actual Interested Party Transaction, an Interested Party who has a potential Interest in such transaction shall disclose the existence of the Interest and all material facts to the Committee, which shall ensure that the Interest is reviewed by the Committee or the Board as appropriate under this Policy.

(C) Limitation on Duty

(1) An Interested Party shall only have a duty to disclose Interests of the Interested Party’s Family Member if the Interested Party is aware of the Family Member’s Interest.

(2) Interested Parties shall have a duty to reasonably investigate the Interests of their respective spouse and children. Interested Parties do not have an affirmative duty to investigate the Interests of Family Members other than their respective spouse or children.

The Interested Party Transaction review and approval procedures set forth in Sections VI, VII, and VIII of this Policy are designed to ensure that the relevant facts and circumstances of any Interested Party Transaction have been disclosed, reviewed, and acted upon as appropriate and that Interested Party Transactions are fair and reasonable to the College and are in the best interests of the College irrespective of any Interest of the Interested Party.

VI. REVIEW OF INTERESTED PARTY DISCLOSURES
The Committee shall receive and review all disclosures of potential Interests by an Interested Party and shall first determine whether the Interested Party\(^4\) has a \textit{material} Financial or Relationship Interest in the proposed Transaction.

(A) \hspace{1cm} \textbf{If} the Committee resolves that the disclosed Interest \textit{does} present a material Financial Interest \textit{and} the Interested Party is a Trustee, \textit{then} the Committee shall refer the matter to the Board for review and action pursuant to \textbf{Section VII} of this Policy to ensure compliance with Section 5233 of the Act. The Committee \textit{shall not} approve a transaction or arrangement in which a Trustee has a material Financial Interest.

(B) \hspace{1cm} \textbf{If the Committee resolves that the disclosed Interest: i) does represent a material Relationship Interest to a Trustee; or, ii) does represent a material Financial or Relationship Interest to an Interested Party other than a Trustee, then the Committee shall refer the matter for Committee itself, the Audit Committee, an \textit{Ad Hoc} Committee, or the Board for review and action pursuant to \textbf{Section VII} of this Policy.}

(C) \hspace{1cm} \textbf{If the Committee resolves that the disclosed Interest \textit{does not} represent a material Financial or Relationship Interest to the Interested Party, then the Committee may determine that:}

1. No further review of the Interested Party Transaction shall be required and the College may proceed with the Transaction based on its normal operating procedures;\(^5\) or

2. The Interested Party Transaction should nevertheless be referred to the Committee itself, the Audit Committee, an \textit{Ad Hoc} Committee, or the Board for review and action pursuant to \textbf{Sections VII or VIII} of this Policy.\(^6\)

In discharging its responsibilities, the Committee shall be empowered to consult appropriate Officers, such as the General Counsel.

The Committee shall maintain a record of its findings, actions, and referrals under this \textbf{Sections VI} of this Policy consistent with \textbf{Section X} of this Policy.

\textbf{VII. REVIEW AND ACTION REGARDING INTERESTED PARTY TRANSACTIONS INVOLVING A MATERIAL INTEREST OF AN INTERESTED PARTY OR OTHERWISE REFERRED FOR SECTION VII REVIEW}

\(^4\) All references to an Interested Party in \textbf{Section VI, VII, and VIII} of the Policy include reference to a Family Member or Controlled Entity of such Interested Party.

\(^5\) If the Interested Party’s disclosure relates to a Financial Interest that the Committee determines is not material and that no further review is necessary, this does not mean that the transaction is not an excess benefit transaction. Instead, it reflects the Committee’s reasonable judgment with respect to whether the transaction should be subject to rebuttable presumption review.

\(^6\) Even if the Committee determines that the disclosure does not represent a material Financial or Relationship Interest, it may nevertheless want to refer the proposed Interested Party Transaction to \textbf{Sections VII or VIII} of the Policy for consideration by the Committee, the Audit Committee, the \textit{Ad Hoc} Committee, or the Board, as appropriate. For example, if the Committee determines that it is important to establish a rebuttable presumption under Section 4958 of the Code, the Committee would refer the Transaction to the \textbf{Section VII} of the Policy. Similarly, if the Committee determined that there were potential reputational or other associated risks associated with the Transaction, it may determine that it is appropriate to refer the Transaction to \textbf{Section VII or VIII} of the Policy.
The body charged by the Committee pursuant to Section VI of this Policy with reviewing and taking action with respect to an Interested Party Transaction (i.e., the Committee, the Audit Committee, an Ad Hoc Committee, or the Board) under this Section VII shall follow the following procedures.

(A) The Interested Party may, with the permission or request of the presiding officer, make a presentation at the Board or Committee meeting regarding the proposed Interested Party Transaction, but after the presentation, the Interested Party will leave the meeting during the discussion of, and vote on, the Interested Party Transaction.

(B) The Board or Committee may appoint a disinterested person or committee to investigate alternatives to the proposed Interested Party Transaction as the Board or Committee determines is reasonable and appropriate. Further, legal counsel may be consulted if desired by the Board or Committee prior to or during consideration of the transaction or arrangement.

(C) After exercising due diligence, the Board or Committee may authorize or approve the Interested Party Transaction, (i) in the case of a vote by the Board, by a vote of a majority of the Trustees then in office, without counting the vote of any Trustees with a material Financial Interest in the Interested Party Transaction or (ii) in the case of a vote by a Committee, by a majority of Committee members, without counting the vote of any Committee members with an Interest in the Interested Party Transaction, after determining each of the following:

(1) That the Board or Committee has knowledge of all material facts concerning the Interested Party Transaction and the Interest of the Interested in such Interested Party Transaction;

(2) That the Board or Committee has obtained and relied on appropriate due diligence materials regarding the Interested Party Transaction, including, in the case of a potential Excess Benefit Transaction, data as to comparability prior to making its determination, as described in section 4958 of the Code and the accompanying Treasury Regulations;

(3) That the Board or Committee is acting in good faith;

(4) That the Interested Party Transaction is in the College’s best interest and for its own benefit;

(5) That the Interested Party Transaction is fair and reasonable to the College at the time the College will enter into it;

(6) That, after reasonable investigation under the circumstances, the College cannot obtain a more advantageous arrangement with reasonable effort under the circumstances from a person or entity that does not have an actual or potential Interested Party Transaction; and

(7) That the Board or Committee shall maintain a record of its approval of the Interested Party Transaction or arrangement consistent with Section X.
VIII. REVIEW AND ACTION REGARDING INTERESTED PARTY TRANSACTIONS NOT INVOLVING A MATERIAL INTEREST OF AN INTERESTED PARTY

As set forth in Section VI there may be circumstances in which the Committee determines that an Interested Party’s disclosure of a potential Interest does not relate to a material Interest and, as such, does not necessarily trigger review under Section VII this Policy. However, the Committee may nevertheless determine that it is appropriate to refer the matter to the Committee itself, the Audit Committee, and An Hoc Committee, or the Board for its review and action pursuant to Section VII or Section VIII of this Policy.

For example, even if the Committee determines that a Trustee’s disclosed Interest is not material, it may nevertheless determine that it is still appropriate to refer the matter to the Board to review and take action with respect to the disclosure, such as where there may be potential reputational considerations that the Committee determines in its discretion are important for the Board to consider prior to authorizing a Transaction.

When the Committee so refers a matter for review and action pursuant to this Section VIII, the relevant referral body (the Committee, the Audit Committee, an Ad Hoc Committee, or the Board), retains its normal discretion to review and act with respect to the matter as if it did not relate to an Interested Party Transaction. However, the respective referral body may also elect to consider the matter following review procedures set forth in Section VII; provided, however, that the potential election to follow Section VII does not impact the Committee’s underlying determination that the matter did not constitute a material Interest under this Policy.

The Committee, Audit Committee, Ad Hoc Committee or the Board, as appropriate, shall maintain a record of its approval of the transaction or arrangement consistent with Section X.

IX. VIOLATIONS OF THE POLICY.

(A) If the Board has reasonable cause to believe that a Trustee, Officer or other Key Employee has failed to disclose an actual or possible Financial or Relationship Interest covered by this Policy, it shall inform the individual of the basis for such belief and afford the individual an opportunity to explain the alleged failure to disclose.

(B) If, after considering the Trustee, Officer, or other Key Employee’s response and making further investigation as warranted under the circumstances, the Board determines the individual has failed to disclose an actual or possible Financial or Relationship Interest, it shall take appropriate disciplinary and corrective action, including, without limitation, removal from office.

X. RECORDS OF PROCEEDINGS

At any meeting of the Board or the Committee were an actual or potential Interested Party Transaction was reviewed and acted on, the minutes of such Board and the Committee shall be prepared promptly and shall contain:

(A) The names of the persons who disclosed or otherwise were found to have an actual or possible Interest;

(B) The names of the persons who were present for discussions and votes relating to the transaction or arrangement;
The nature of the Interest;

Any action taken to determine whether a material Interest was present;

Any comparability data the Board or Committee relied upon and the source of such data;

The terms of the transaction or arrangement, the content of the discussion, including whether alternatives to the proposed transaction or arrangement were considered;

The basis for the decision to approve the transaction or arrangement, including, if applicable, any finding as to whether the transaction or arrangement will result in an economic benefit greater or lower than any comparability data would indicate; and

A record of any votes taken in connection with the proceedings and the date of such action.

XI. COMPENSATION

All compensation of Officers of the College for their services shall be approved as determined by the Executive Compensation Policy, and not pursuant to this Policy. Note – reconcile with exec comp policy...

A Trustee who receives compensation, directly or indirectly, from the College for services is precluded from voting on matters pertaining to that Trustee’s compensation.

A Trustee who is a member of any committee of the Board whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the College for services is precluded from voting on matters pertaining to that Trustee’s compensation.

No Trustee or of any member of a committee of the Board whose jurisdiction includes compensation and who receives compensation, directly or indirectly, from the College, either individually or collectively, is prohibited from providing information to any committee regarding their compensation.

XII. PERIODIC REVIEWS

To ensure that the College operates in a manner consistent with its charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, the Committee shall review this Policy on an annual basis. The periodic reviews shall, at a minimum, include the following subjects:

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

Whether partnerships, joint ventures, and arrangements with management organizations conform to the College’s written policies, are properly recorded, reflect reasonable investment or payment for goods and services, further charitable purposes, and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.
When conducting periodic reviews, the College may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.