

Conflict of Interest Policy

Elk Grove Community Foundation dba Elk Grove Regional Scholarship Foundation (EGRSF)

A. Purpose

The purpose of this policy is to protect the interests of the Foundation when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Interested Person. While this policy seeks to ensure the continuation of the status of the Foundation as a tax-exempt charitable organization under applicable Federal and State laws, it is intended to supplement, but not replace, applicable federal and state laws prescribing conflict of interest rules governing nonprofit and charitable corporations.

B. Definitions

Whenever used in this policy, the following terms shall have the meanings ascribed thereto in this Article B, unless a different meaning is required by the context:

1. Board

The term “Board” means the Board of Directors of the Foundation.

2. Committee

The term “Committee” jointly and severally means each committee of the Foundation with the right to exercise powers delegated to it, directly or indirectly, by or through the Board.

3. Conflict of Interest

The term “Conflict of Interest” jointly and severally means an actual or potential, direct or indirect, Financial Interest or Non-Pecuniary Interest or other benefit, in cash or in kind (“Other Benefit”), to a director, officer, member of a committee, or other person arising on account of the Foundation entering into, or contemplating to enter into, a transaction or arrangement. The foregoing definition shall be construed broadly, with any doubt or ambiguity resolved in such manner that a Conflict of Interest shall be deemed to exist.

4. Director(s)

The term “Director(s)” jointly and severally means each individual selected to serve on the Board, and shall include, without limitation, each individual selected by the Foundation to serve on any advisory community board of the Foundation.

5. Financial Interest

The term “Financial Interest” means an interest of, or inuring to, an individual directly or indirectly, through any business, investment, extended family, or other public or private relationship, by way of:

- an ownership or investment interest in any entity with which the Foundation has a transaction or arrangement,
- a compensation arrangement with the Foundation or with any entity or individual with which the Foundation has a transaction or arrangement, or
- a potential ownership or investment interest in, or a potential compensation arrangement with, any entity or individual with which the Foundation is contemplating or negotiating a transaction or arrangement.

For purposes of this Section B.5, the term “compensation” shall include, without limitation, direct remuneration, indirect remuneration, and gifts or favors that are not insubstantial in nature.

6. Foundation

The term “Foundation” means Elk Grove Regional Scholarship Foundation, a California nonprofit public benefit corporation.

7. Interested Person

The term “Interested Person” jointly and severally means any director, officer, member of a Committee, or other person who has a Financial Interest or Non-Pecuniary Interest or Other Benefit.

8. Non-Pecuniary Interest

The term “Non-Pecuniary Interest” means an interest, other than a Financial Interest or Other Benefit, of, or inuring to, any individual directly or indirectly, through any business, investment, extended family, or other public or private relationship, by way of:

- an affiliation with any individual with whom the Foundation has, or is contemplating or negotiating, a transaction or arrangement,
- or an affiliation with any entity with which the Foundation has, or is contemplating or negotiating, a transaction or arrangement.

For purposes of this Section 8, non-exhaustive examples of a Non-Pecuniary Interest include:

- serving as a director, officer, member of a committee with board- or entity-delegated powers, trustee, executor or executrix, or in like representative capacity, of an entity or individual with which or whom the Foundation has, or is contemplating or negotiating, a transaction or arrangement; or
- a member of an extended family serving in any such capacity with such an entity or individual; or
- a business or investment partner, including any such of a member of an extended family, serving in such a capacity with such an entity or individual.

9. Other Person

The term “Other Person” means any individual, other than a director, officer, or member of a committee, who has Board or committee-delegated powers to act, directly or indirectly, for or on behalf of the Foundation in respect of the Foundation entering into, or contemplating to enter into, any transaction or arrangement.

10. Policy

The term “Policy” means this Foundation’s Conflict of Interest policy.

C. Procedures

1. Duty to Disclose

- **General.** In connection with any Conflict of Interest, an Interested Person must disclose, with reasonable certitude, all material facts evidencing the existence and nature of his or her Financial Interest or Non-Pecuniary Interest or Other Benefit to the directors and committee members considering the proposed transaction or arrangement.
- **Certain Non-Pecuniary Interests.** Each director, officer, committee member, and other person annually shall disclose each public and private entity for which he or she, or a member of his or her extended family, presently serves, or served within the past two (2) years, as a director, officer, member of a committee with board- or entity-delegated powers, trustee, or in like representative capacity. Such disclosure shall be made on the annual statement required by Section F hereof and shall be reviewed by the Board and the Committee as part of its preliminary due diligence in considering any proposed transaction or arrangement.

Notwithstanding anything in this policy or otherwise to the contrary, the requirement imposed upon the Board and the Committee by this Section C.1. shall not relieve any Interested Person of his or her duty to disclose any Financial Interest or Non-Pecuniary Interest or Other Benefit in accordance with Section C.1. hereof.

2. Determining Whether Conflict of Interest Exist

After disclosure of the Financial Interest or Non-Pecuniary Interest or Other Benefit, the Interested Person shall leave the Board or Committee meeting while the Board or Committee discusses and votes on whether the interest disclosed pursuant to Section C.1 of this policy constitutes a Conflict of Interest.

3. Procedures for Addressing Conflict of Interest

Prior to the Foundation entering into any proposed transaction or arrangement in respect of which a Conflict of Interest has been disclosed, each of the following shall be established as a matter of fact:

- The President of the Board or Committee Chair shall, in good faith, consider and determine, if appropriate, whether or not to appoint a non-Interested Person or Committee to investigate alternatives to the proposed transaction or arrangement. After exercising due diligence and reasonable investigation under the circumstances, the Board or Committee shall consider and, in good faith, determine whether the Foundation can obtain a more advantageous transaction or arrangement with reasonable efforts under the circumstances from a person or entity that would not give rise to a Conflict of Interest.
- If a more advantageous transaction or arrangement is not attainable, then the Board shall, in good faith, determine by a majority vote of all Directors eligible to vote (who are non-Interested Persons and have full knowledge of all the material facts disclosed) that:
 - the proposed transaction or arrangement is in the Foundation's best interest and for the Foundation's own benefit, and
 - the proposed transaction or arrangement is fair and reasonable to the Foundation at the time when the Foundation enters into the proposed transaction or arrangement.

In the absence of such good faith determinations, the Board shall not authorize, approve, or ratify the entering into the proposed transaction or arrangement by the Foundation.

For purposes of this Section C.3, “Committee” may be substituted in lieu of “Board,” provided that the Committee complies with the procedures set forth herein, and that it was, in good faith, determined by such Committee that it was not reasonably practicable to obtain Board approval prior to authorizing or approving the proposed transaction or arrangement.

4. Violations of this Policy

- If the Board or a Committee has reasonable cause to believe that a director, officer, committee member, or other person has failed to disclose a Conflict of Interest, the Board or Committee shall inform such individual of the basis for such belief and afford them an opportunity to explain.
- If, after hearing the response and making further investigation as may be necessary, the Board or Committee determines that a failure to disclose has occurred, the Board or Committee shall take appropriate disciplinary and corrective action, including, without limitation, court action seeking remedies under Section 5233(h) of the California Nonprofit Corporation Law.

D. Records of Proceedings

The minutes of the Board and Committees shall contain:

1. the name of each person who disclosed or was found to have a Financial Interest or Non-Pecuniary Interest in connection with a proposed transaction or arrangement, the nature of the interest, any action taken, and the decision of the Board or Committee; and
2. the name of each person present for discussions and votes relating to the proposed transaction or arrangement, the content of the discussion (including alternatives), and a record of any votes taken.

E. Compensation Committees; Recusal

A voting member of any Committee, whose jurisdiction includes compensation matters, who receives compensation (as defined in Section B.5), directly or indirectly, from the Foundation is precluded from voting on matters pertaining to that member’s compensation.

F. Annual Statements

Each director, officer, committee member, and other persons annually shall sign a Conflict of Interest Disclosure Statement (attached to this policy) which affirms that they have:

1. received a copy of this policy,
2. read and understands this policy,
3. agreed to comply with this policy, and
4. an understanding that the Foundation is a tax-exempt charitable organization, and that in order to maintain its status, the Foundation must engage primarily in activities which accomplish one or more of its recognized charitable and tax-exempt purposes.

G. Periodic Reviews

To ensure that the Foundation operates in a manner consistent with its charitable purposes, and that it does not engage in any activity that could jeopardize its tax-exempt status, the Board shall conduct periodic reviews of its operations.

The periodic reviews shall, at a minimum, include:

1. Whether compensation arrangements and benefits are reasonable and the result of arm's-length bargaining,
2. Whether partnership and joint venture arrangements with Other Persons associated with the Foundation conform to written policies, are properly recorded, reflect reasonable payments, further the Foundation's charitable purposes, and do not result in inurement or impermissible private benefit,
3. Whether agreements to provide services, products, and the like further the Foundation's charitable purposes and do not result in inurement or impermissible private benefit.

H. Use of Outside Experts

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

Approved November 2006
Revised November 2025

Conflict of Interest Disclosure Statement

By signing below, I affirm that:

1. I have received and read a copy of the Conflict of Interest Disclosure Policy;
2. I agree to comply with the policy;
3. I have no actual or potential conflicts as defined by the policy or if I have, I have previously disclosed them as required by the policy or am disclosing them below.

Disclose here, to the best of your knowledge:

1. Any entity with which you participate (as a director, officer, employee, owner, or member) with which Elk Grove Regional Scholarship Foundation (EGRSF) has a relationship.
2. Any transaction in which EGRSF is a participant as to which you might have a conflicting interest; and
3. Any other situation which may pose a conflict of interest.

Name: _____

Position: _____

Signature: _____

Date: _____

Adopted November 2025