

FUND FOR SANTA BARBARA

POLICY AND PROCEDURE ON CONFLICTS OF INTEREST & SELF DEALING TRANSACTIONS

Conflicts of Interest

The Fund for Santa Barbara (the "Fund") is conscious that conflicts of interest may arise as the result of the Fund's Board of Directors, its committees, or staff members ("active members") serving on the Board, committees, staff or otherwise being connected with applicants for grants. At the same time, the Fund recognizes that the active members are and will continue to be involved in the community. The Fund does not desire to deprive applicant organizations the benefits of the expertise of its active members

In light of the above, the following policy is established:

- A. Any conflict of interest on the part of any active member shall be disclosed to members of the Board. The Grant Making Committee shall provide the Board with a list of prospective applicant organizations at each grantmaking cycle. Any active member who serves as officer, director, trustee, or in any other significant capacity, of a prospective applicant organization, shall disclose that relationship to the Executive Committee.
- B. When any such interest becomes relevant to the discussion or voting of any grant or any matter requiring action by the Board or its committees, the active member having any possible conflict must call it to the attention of the Board President(s) or committee chair prior to the discussion of that item. Such interested party shall not vote on the matter in which s/he has a conflict of interest and shall not use personal influence in connection therewith. Any interested party who is excluded from the voting may answer any pertinent questions.
- C. Each current and future active member shall be furnished with a copy of this policy.

Self Dealing Transactions

The Fund for Santa Barbara (the "Fund") is conscious that no member of the Board, its committees, or staff ("active members") should receive any personal gain or profit, directly or indirectly, by reason of being an active member of the Fund, outside of staff members' approved salaries and benefits compensation schedule.

In light of the above, the following policy is established:

- A. Self dealing by an active member is to be actively avoided unless the Board has thoroughly established that a transaction is permissible by law.
- B. An annual disclosure of financial conflicts of interest shall be made by each active member.
- C. If it is determined that an active member has a material financial interest in a proposed transaction between the Fund and any other organization, business or individual, the Board will

ensure that the procedure listed on the attached the “Checklist—Board Approval of Transaction with an Interested Member” is closely followed.

- D. Each current and future active member shall be furnished with a copy of this policy.

Checklist for Board Approval of Transaction with an Interested Member

A. Before the Board meeting:

1. Identify interested member’s material financial interest and ascertain whether the transaction falls within any of the exceptions.
2. Gather all material facts for disclosure to the Board about the proposed transaction and the interested member’s interest.
3. Appoint non-interested person or committee (e.g. Executive Committee) to investigate possible reasonable alternatives in order to report to the Board.
4. As part of the Committee’s review, it should consider:
 - a) the benefit to the Fund inherent in the transaction;
 - b) whether alternatives are available which would eliminate a conflict of interest;
 - c) and, the amount of personal profit the interested member would receive.

B. At the Board meeting:

1. Disclose all the material facts about the proposed transaction and the interested member’s interest;
2. Hear a report by a non-interested person or committee (e.g. Executive Committee);
3. Hear the recommendation of the non-interested committee as to whether to approve or disapprove the transaction;
4. If the Board wishes to approve the transaction, have the Board find and resolve the following, by vote of majority of directors then in office, without counting the vote of the interested member (each director’s vote or abstention should be recorded):
 - a) That the proposed transaction is in the corporation’s best interests for the corporation’s own benefit;
 - b) That the proposed transaction is fair and reasonable to the corporation; and
 - c) That, after reasonable investigation, the Board has determined that the corporation cannot obtain a more advantageous arrangement with reasonable efforts under the circumstances.
4. Have the Board approve the proposed transaction, by vote of the majority of directors then in office, excluding the vote of the interested member.

C. After the Board meeting:

1. Prepare minutes of the meeting, reflecting:
 - a) Full disclosure to the Board (item 4 above);
 - b) Investigation and report to the Board (items 3 and 5 above);
 - c) Findings of the Board (item 6 above); and
 - d) Board approval of the transaction, including vote of each director.
2. If the Board approves a self-dealing transaction, file a notice of the transaction with the Attorney General.

Adopted 2/22/99