

**THE LA PROMISE FUND
POLICY ON CONFLICT OF INTEREST**

WHEREAS, the Board of Directors, officers and Committee members of LA Promise Fund (the "Corporation") owe a duty of loyalty to the Corporation and have an obligation to ensure that their outside activities and interests are not in conflict with their actions on behalf of the Corporation; and

WHEREAS, the Board of Directors, officers and Committee members, because of their varied interests and backgrounds, may be presented with situations involving a dual interest that might be interpreted as a Conflict of Interest (as defined in Section I below); and

WHEREAS, the matter of duality of interest or possible Conflict of Interest can best be handled through full disclosure of any such interest together with Interested Persons (as defined in Section I below) abstaining from voting on any transaction presenting a Conflict of Interest;

NOW, THEREFORE, BE IT RESOLVED: That the following policy on Conflict of Interest is hereby adopted:

I. Definitions

- (a) **Financial Interest:** A person has a financial interest if the person has, directly or indirectly, through business, investment or family, a present or potential ownership or investment interest in, or compensation arrangement with, any entity with which the Corporation has an actual or potential transaction or arrangement. Compensation includes any remuneration, directly or indirectly, and gifts or favors which are substantial in nature.
- (b) **Board Membership:** A person has a Board Membership if the person or a family member serves on the governing board of another corporation, trust, firm or association, whether or not the person receives remuneration for his or her service on such governing board.
- (c) **Interested Person:** An Interested Person is a Director, officer or Committee member who: has a Financial Interest in, or a Board Membership on, any entity with which the Corporation has or may have a transaction or arrangement (including as a funder); is in an employment relationship or other form of contractual relationship subject to the direction or control of a person who has a Financial Interest in the proposed transaction; receives compensation or other payments subject to approval by a person who has a Financial Interest in the proposed transaction; or approves a transaction providing benefits to a person who is an Interested Person with respect to the proposed transaction and which Interested Person in turn has approved or will approve a transaction providing economic benefits to the individual.

- (c) Conflict of Interest: A Conflict of Interest exists when an Interested Person has a Financial Interest or Board Membership which prevents the Interested Person from acting in the best interest of the Corporation regarding the transaction or arrangement.
- (d) Committee: A Committee means a committee of the Corporation appointed by the Board and having Board-delegated powers.

II. Persons and Situations Applicable

This policy shall apply to the Corporation and all Directors, officers, Committee members and other individuals who have or are granted the power to vote at Board or Committee meetings of the Corporation and ex officio Directors without a vote.

This policy shall apply to any transaction or arrangement with an Interested Person.

III. Disclosure

All Interested Persons must disclose to the Board or Committee of which they are a member all Financial Interests and Board Memberships and all material facts relating to any organization entering into a transaction or arrangement with the Corporation which may result in a Conflict of Interest.

IV. Procedure for Determining Conflicts of Interest

The Board of Directors of the Corporation shall determine if the disclosed Financial Interest or Board Membership of the Interested Person may result in an actual or perceived Conflict of Interest by meeting, discussing and voting on the matter. The Interested Person shall not be present during that portion of the meeting during which the matter is discussed and voted upon, nor shall the Interested Person be permitted to vote on the matter. The action of the Board of Directors concluding that a Financial Interest or Board Membership creates an actual or perceived Conflict of Interest shall be conclusive.

V. Procedure for Addressing a Conflict of Interest

Where a Conflict of Interest is determined to exist, the following procedures shall be followed regarding an Interested Person and the transaction resulting in such Conflict of Interest:

- (a) The Interested Person shall (unless prevented from disclosure by a duty under law or professional canon, or a duty of confidentiality to another person) disclose facts known to the Interested Person respecting the subject matter of the transaction which are, or could reasonably be believed to be, material to a judgment as to whether to proceed with the transaction, but shall neither be present at the

discussion of nor vote on the transaction resulting in the Conflict of Interest.

- (b) The Corporation shall not proceed with the subject transaction unless the Corporation shall determine, by a majority vote of the non-interested Trustees present, that the transaction or arrangement:
 - (1) appears to be in the Corporation's best interests and for its own benefit,
and
 - (2) is fair and reasonable to the Corporation, based upon appropriate data as to comparability.
- (c) The Corporation may appoint, if appropriate, a non-interested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (d) In order to protect the Corporation's best interest, the Corporation shall take appropriate disciplinary action with respect to an Interested Party who violates this Conflict of Interest policy.

VI. Record Keeping

The minutes of the Board meetings and all Committee meetings pertaining to potential Conflicts of Interest shall include:

- (a) The names of the persons who disclosed Financial Interests or Board Memberships, the nature of the Financial Interests or Board Memberships, whether the Board determined a Conflict of Interest existed, and the actions taken with respect to consideration of the transaction by those with respect to whom the Board determined that a Conflict of Interest existed; and
- (b) The terms of the transaction or arrangement; the names of the persons present for discussions and votes relating to the transaction or arrangement; the content of these discussions, including any alternatives to the proposed transaction or arrangement which were considered or discussed; the comparability data obtained and relied upon, and how obtained; and a record of the vote taken regarding the transaction and the date it was approved.

VII. Distribution

This policy shall be distributed to all Directors, officers and Committee members and any other person who has or is granted the power to vote at Board or Committee meetings. Distribution may occur by posting of this policy on the Corporation's website.

Each person receiving this policy shall annually sign a statement, contained within the related Conflicts of Interest Disclosure Statement, that such person:

- (a) Received a copy of this Conflict of Interest Policy,
- (b) Has read and understood the Policy,
- (c) Agrees to comply with the Policy,
- (d) Understands that the Policy applies to all Committees, and
- (e) Understands that the Corporation is a charitable organization and that to maintain the tax-exempt status of those organizations, the Corporation must continuously engage primarily in activities that accomplish one or more of its tax-exempt purposes.

VIII. California Law Controls

This policy is intended to supplement, and not supercede, the provisions of California law and the Corporation's Bylaws, as amended from time to time, concerning conflicting interest transactions. In the event California law or the Bylaws define a conflict of interest transaction more broadly than, or prescribe a more stringent standard or procedure for approval than this policy, California law or the Bylaws shall control.

BE IT FURTHER RESOLVED: That this policy be reviewed annually and that any new Directors, officers and Committee members be advised of the policy upon entering into the duties of their office.

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