OPERATING AGREEMENT BETWEEN CALIFORNIA STATE UNIVERSITY AND FORTY- NINER SHOPS, INC.

## 1. PURPOSE

20. NOTICES

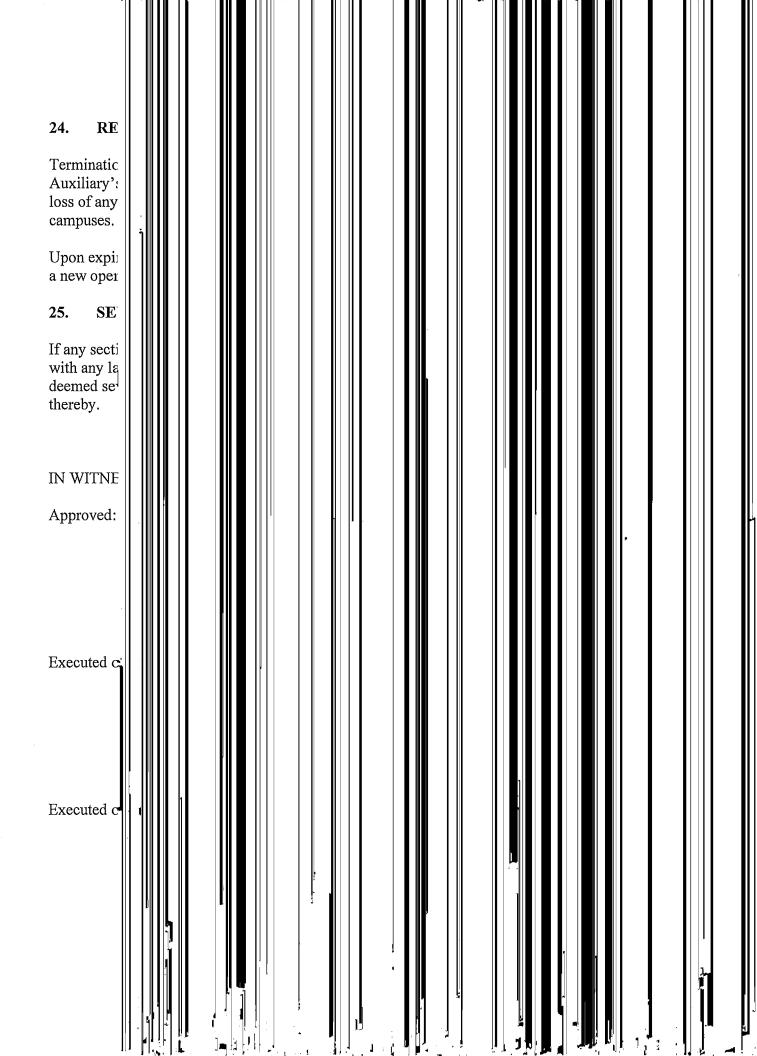
FortyNiner Shops, Inc. 6049 East Seventh Street Long Beach, CA 90840 Attention: General Manager/CEO

Office of the President California State University, Long Beach 1250 Bellflower Blvd, Brotman Hall 300

21. AMENDMENT

22. RECORDS

23. TERMINATION









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.

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.

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. <u>Board Officer Informed.</u>

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- 6.3.6 Any gift(s) received from a single business contact totaling more than \$420 in a 12-month period.
- 6.4. <u>Acceptable Gifts (Exceptions to the Gift Rule).</u>

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. <u>Personal Gifts.</u>

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.

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.

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.

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.

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.



### 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. <u>Board Officer Review</u>

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



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.

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.

1035. Board of Directors

I have read the forty-Niner Shops, Inc., Conflict of Interest Policy and signify by my signature that I do not have a financial interest in any contract or other transaction entered into by the Board of Directors of the Forty-Niner Shops Inc., and do not other otherwise have a conflict of interest relating to my Forty-Niner Shops, Inc., Board of Directors membership.

I further agree that should any future action occur that would result in my having a conflict of interest; I shall immediately notify the Board of Directors using the Disclosure of Financial Interest Statement form.



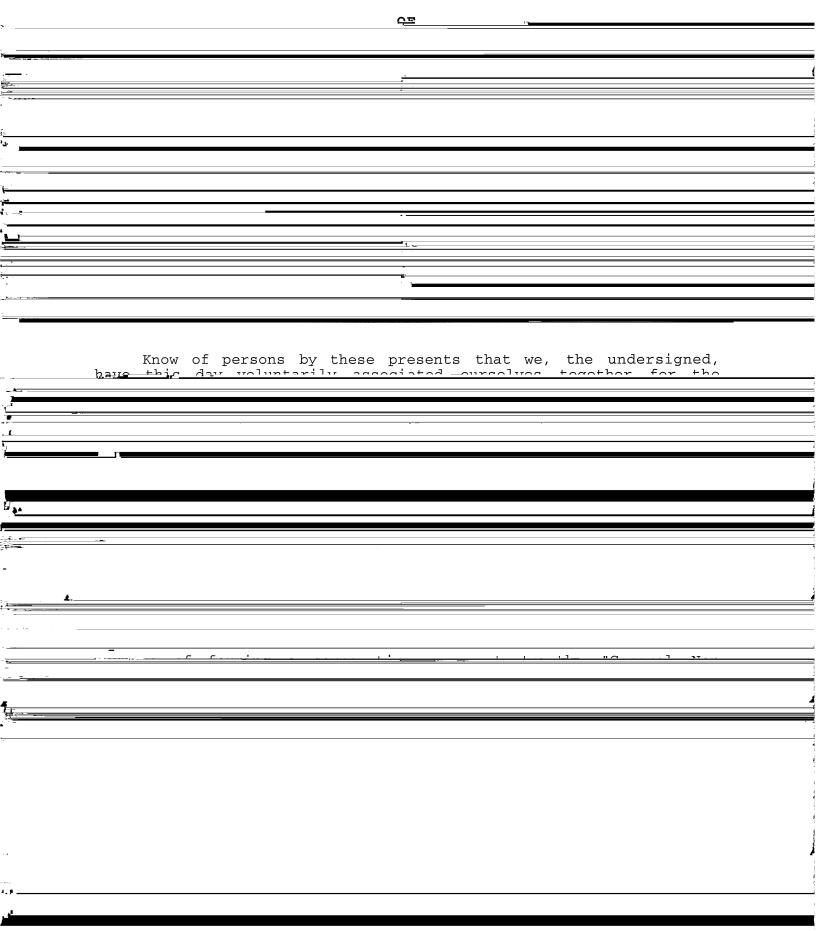
# **ATTACHMENT 2**

To Auxiliary Operating Agreement

FORTY-NINER SHOPS INC.

Forty-Niner Shops, Inc., does not accumulate or utilize funds for public relations, nor does it expect to in the foreseeable future. In the event this situation changes, Auxiliary will address this and provide the required statement.

#### ARTICLES OF INCORPORATION



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> (5) To apply funds and property coming into its possession toward furthering the educational services of California State University, Long Beach, and to performing other functions related to the activities of the University.

#### ARTICLE III

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APRIL 15, 1997

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#### ARTICLE VIII

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	The Board of Directors of this Corporation shall be composed of ten (10) members, two (2) of whom shall be members of the
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#### ARTICLE IX

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#### ARTICLE XI

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