

**OPERATING AGREEMENT  
BETWEEN CALIFORNIA STATE UNIVERSITY  
AND UNIVERSITY ENTERPRISES, INC.**

This agreement is made and entered into by and between the Chancellor of the California State University on behalf of the Board of Trustees (CSU) and University Enterprises, Inc. (UEI). The term of this agreement shall be July 1, 2014 through September 1, 2027 unless sooner terminated as herein provided.

This agreement replaces and supersedes Operating and Lease Agreement #P508185.

This agreement shall be reviewed and updated as necessary every five (5) years starting July 1, 2019.

**1. PURPOSE**

The purpose of this agreement is to set forth the terms and conditions under which Auxiliary may operate as an auxiliary organization pursuant to Education Code Sections 89900 et seq. and Sections 42400 et seq. of Title 5 of the California Code of Regulations (CCR). In entering this agreement, CSU finds that certain functions important to its mission are more effectively accomplished by the use of an auxiliary organization rather than the usual state procedures.

**2. PRIMARY FUNCTION OF THE AUXILIARY**

In consideration of receiving recognition as an official auxiliary organization of the CSU, Auxiliary agrees, for the period covered by this agreement, that its primary activity generally can be classified

- Research, Workshops, Institutes, Conferences
- Commercial

In carrying out this activity, the Auxiliary engages in the following functions authorized by Section 42500, Title 5, CCR, which are activities essential and integral to the educational mission of the University:

1. Bookstores, Food Services, and Campus Services, including Student Employment and Internship Programs
2. Loans, Scholarships, Grants-in-Aid, Stipends, and Related Financial Assistance
3. Externally Funded Projects Including Research, Workshops, Conferences, and Institutes
4. Gifts, Bequests, Devises, Endowments, Trusts and similar funds
5. Acquisition, development, sale, and transfer of real and personal property including financing transactions related to these activities
6. Housing

Auxiliary further agrees to receive and apply exclusively the funds and properties coming into its possession toward furthering these purposes. Prior to initiating any additional functions, Auxiliary agrees to amend the existing operating agreement.

### **3. CAMPUS OVERSIGHT AND OPERATIONAL REVIEW**

The responsibility and authority of the campus president regarding auxiliary organizations is outlined in Title 5 Section 42402, which in part requires that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. The campus President has been delegated authority by the CSU Board of Trustees (Standing Orders Section IV) to carry out all necessary functions for the operation of the campus. The operations and activities of Auxiliary under this agreement shall be integrated with campus operations and policies established by the President and shall be overseen by the campus Chief Financial Officer or designee so as to assure compliance with objectives stated in Title 5 Section 42401.

Auxiliary agrees to assist the Chief Financial Officer and his or her designee in carrying out the compliance and operational reviews required by applicable Executive Orders and related policies.

### **4. OPERATIONAL COMPLIANCE**

Auxiliary agrees to maintain and operate its organization in accordance with all applicable laws, regulations and policies promulgated by the Federal Government, the State, Chancellor and Campus on which the Auxiliary operates. Failure of Auxiliary to comply with any term of this agreement may result in the removal, suspension or placing on probation of Auxiliary as an auxiliary organization in good standing. Such action by CSU may involve the limitation or removal of Auxiliary's right to utilize the resources and facilities of Campus (ref. Title 5, CCR, 42406).

### **5. CONFLICT OF INTEREST**

No officer or employee of the CSU shall be appointed or employed by Auxiliary if such appointment or employment would be incompatible, inconsistent or in conflict with his or her duties as a CSU officer or employee.

### **6. EXPENDITURES AUGMENTING CSU APPROPRIATIONS**

With respect to expenditures for public relations or other purposes which would serve to augment appropriations for CSU operations, Auxiliary may expend funds in such amount and for such purposes as are approved by Auxiliary's governing body. Auxiliary shall file, as Attachment 1 to this Agreement, a statement of Auxiliary's policy on accumulation and use of public relations funds. The statement shall include the policy

and procedures for solicitation of funds, the purposes for which the funds may be used, the allowable expenditures and procedures of control.

**7. FISCAL AUDITS**

Auxiliary agrees to comply with CSU policy and the provisions of Section 42408 of Title 5, CCR regarding fiscal audits. All fiscal audits shall be conducted by auditors meeting the guidelines established in the Integrated CSU Administrative Manual (ICSUAM).

The campus Chief Financial Officer shall submit to the Chancellor's Office (see Notices below) the written evaluation of the external audit firm selected by the Auxiliary. This review must be conducted annually and prior to entering into an engagement letter with an external audit firm. If the Auxiliary has not changed auditor and the audit firm was previously subjected to this review only a limited review need be submitted.

**8. CHANGE OR MODIFICATION OF CORPORATE STATUS**

Auxiliary shall provide notice to the CSU upon any change in Auxiliary's legal, operational or tax status including but not limited to changes in Articles of Incorporation, bylaws, tax status, bankruptcy, dissolution or change in name.

**9. FAIR EMPLOYMENT PRACTICES**

In the performance of this agreement, and in accordance with Government Code 12900 et. seq., Auxiliary shall not deny employment opportunities to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, marital status, sex, age, or sexual orientation or veteran's status. Auxiliary shall adopt employment procedures consistent with the policy statement on nondiscrimination and affirmative action in employment adopted by the CSU.

**10. DISPOSITION OF ASSETS**

Attached hereto as **Attachment 2** is a copy of Auxiliary's **Articles of Incorporation** which establishes that upon dissolution of Auxiliary, the net assets other than trust funds shall be distributed in accord with Section 42600, Title 5, CCR. For the period covered by this agreement, Auxiliary agrees to maintain this provision as part of its Constitution or Articles of Incorporation. In the event Auxiliary should change this provision to make other dispositions possible, this agreement shall terminate as of the date immediately preceding the date such change becomes effective and all net assets shall become the property of CSU.

Alternatively, upon termination or breach of this agreement, CSU, at its sole discretion, may require Auxiliary to transfer all assets in its possession to a successor nonprofit corporation qualifying as an auxiliary organization. This remedy shall be in addition to any other remedies available to CSU upon termination or breach of this agreement.

**11. USE OF CAMPUS FACILITIES**

Auxiliary may use those facilities identified in Exhibit A for its use in a lease agreement executed between Campus and Auxiliary for Food Services.

Auxiliary may also use Campus facilities and resources for research projects and for institutes, workshops, and conferences only when such use does not interfere with the instructional program of Campus and upon the written approval from appropriate Campus administrators with such specific delegated authority. Auxiliary shall reimburse Campus for costs of any such use.

**12. DISPOSITION OF NET EARNINGS**

Auxiliary agrees to comply with CSU and Campus policy on expenditure of funds including, but not limited to, CSU guidelines for the disposition of revenues in excess of expenses and CSU policies on maintaining appropriate reserves.

**13. ACCEPTANCE, ADMINISTRATION, AND USE OF GIFTS**

Auxiliary agrees, if authorized to do so in Section 2 above, that it will accept and administer gifts, grants, contracts, scholarships, loan funds, fellowships, bequests, and devises in accordance with policies of CSU and Campus.

**A. Delegation of Authority to Accept Gifts**

If authorized, Auxiliary may evaluate and accept gifts, bequests and personal property on behalf of CSU. In acting pursuant to this delegation, due diligence shall be performed to ensure that all gifts accepted will aid in carrying out the CSU mission as specified in Education Code Sections 89720 and 66010.4(b).

**B. Reporting Standards**

Gifts shall be recorded in compliance with the Council for Advancement and Support of Education and California State University reporting standards and shall be reported to the Chancellor's Office on an annual basis in accordance with Section 89720 of the Education Code.

**C. Donor Rights**

All donors of gifts, bequests and personal property shall be treated openly and fairly in accordance with the "Donor Bill of Rights" found at:  
<http://www.calstate.edu/foundation/donor.shtml>.

**14. INDEMNIFICATION**

Auxiliary agrees to indemnify, defend and save harmless the CSU, its officers, agents, employees and constituent campuses (all of which are hereafter referred to as "CSU") from any and all loss, damage, or liability that may be suffered or incurred by CSU, caused by, arising out of, or in any way connected with the operation of Auxiliary as an auxiliary organization.

**15. INSURANCE**

Auxiliary shall maintain insurance protecting the CSU and Campus as provided in this section. CSU's Systemwide Office of Risk Management shall establish minimum insurance requirements for Auxiliaries, based on the insurance requirements described in Technical Letter RM "RM 2012-01" or its successor then in effect. Auxiliary agrees to maintain at least these minimum insurance requirements.

Auxiliary's participation in a coverage program of the California State University Risk Management Authority (CSURMA) shall fully comply with the insurance requirement for each type of required coverage (which may include but not be limited to, general liability, auto liability, directors and officers liability, fiduciary liability, professional liability, employer's liability, pollution liability, workers' compensation, fidelity, property and any other coverage necessary based on Auxiliary's operations). Auxiliary shall ensure that CSU and campus are scheduled as additional insured or loss payee as its interests may appear.

**16. NOTICES**

All notices required to be given, or which may be given by either party to the other, shall be deemed to have been fully given when made in writing and deposited in the United States mail, certified and postage prepaid and addressed to all parties as provided below.

Notice to Auxiliary shall be addressed as follows:

University Enterprises, Inc.  
6000 J St.  
Sacramento, Ca 95819-6063  
Attn: Executive Director

Notice to the CSU shall be addressed to:

Trustees of the California State University

401 Golden Shore  
Long Beach, California 90802  
Attention: Director, Contract Services & Procurement

Notice to the Campus shall be addressed as follows:

California State University, Sacramento  
6000 J St.  
Sacramento, Ca 95819-6008  
Attn: Office of the President

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto.

Approved on : June 13 2014

California State University, Sacramento

By Alexander Gonzalez  
Alexander Gonzalez, President

Executed on June 13, 2014

University Enterprises, Inc.

By Jim Reinhart  
Jim Reinhart, Executive Director

Executed on June 30, 2014

California State University  
Office of the Chancellor  
Contract Services and Procurement

By Tom Roberts  
Tom Roberts, Director

EXHIBIT A

List of Food Service Facilities Operated by UEI

River Front Center

Roundhouse

Outpost

Dining Commons

Courtyard Market in American River Courtyard

Java City in Library Breezeway

<b>University Enterprises, Inc. Policies and Procedures</b>	<b>Policy No. 2055</b>
<b>Section:</b> Business Services	
<b>Subject:</b> Source and Use of Public Relations Funds	
<b>Effective (or) Revised</b> March 21, 2013	

## Source and Use of Public Relations Funds

### I. PURPOSE

To provide policy guidance on the accumulation and use of funds by University Enterprises, Inc. (UEI) for public relations purposes.

### II. BACKGROUND

Per Title 5 California Code of Regulations §42502(i), each auxiliary organization shall maintain a policy on the "accumulation and use of public relations funds if such funds are obtained and used by the auxiliary organization to augment State appropriations for public relations." The policy must include "...the policy and procedure on solicitation of funds, source of funds, amounts, and purpose for which the funds will be used, allowable expenditures, and procedures of control."

### III. POLICY

#### **Solicitation and Accumulation of Public Relations Funds**

UEI does not solicit public relations funds. Any UEI funds used for public relations purposes are budgeted for annually and the budget is approved by the Board of Directors and University President.

#### **Source of Public Relations Funds**

Public relations funds, when expended, may be sourced from UEI held Discretionary or Restricted Funds. These funds may be derived from various sources including corporate auxiliary revenues, donations, or the proceeds from the sale of non-cash gifts made to UEI. Expenditures from Discretionary or Restricted Funds must clearly advance the objectives of the campus and the California State University, and that are consistent with applicable procurement and accounting practices. In general, expenditures must be appropriate for campus authorized educational, social, development, hospitality, community and employee relations, employee business travel and related considerations, student aid, and for other purposes that benefit California State University or the campus. All expenditures from a Restricted Fund must be clearly consistent with the restricted purpose.

### IV. PROCEDURE

Any expenditure of UEI funds for purposes of public relations shall only be at the request of the University President. The source of funds would be any Discretionary or Restricted Fund account that is available to the President. Pursuant to UEI's purchasing policies and procedures, the request shall be accompanied by appropriate supporting documentation, with dates, purpose and individuals or groups involved, location and amounts clearly stated, and any other requirements.

#### **Policy filing**

UEI shall file a copy of this Policy with the Chancellor's Office, per the requirements of Title 5 California Code of Regulations §42502(i).



A0733592

**ENDORSED - FILED**  
in the office of the Secretary of State  
of the State of California

OCT 04 2012

RESTATED ARTICLES OF INCORPORATION  
FOR  
UNIVERSITY ENTERPRISES, INC.  
A NON-PROFIT CORPORATION

The undersigned certify that:

1. They are the Chairman of the Board and the Secretary, respectively, of University Enterprises, Inc., a California corporation.
2. The Articles of Incorporation of this corporation are amended and restated to read as follows:

FIRST

The name of this corporation is University Enterprises, Inc.

SECOND

This corporation elects to be governed by all of the provisions of the Non-Profit Public Benefit Corporation Law.

THIRD

A. This corporation is a non-profit public benefit corporation and is not organized for the private gain of any person. It is organized under the non-profit public benefit corporation law for charitable purposes.

B. The specific purposes for which the corporation is formed are:

(1) To assist in and promote the development, maintenance and operation of California State University Sacramento; to further the educational objectives of said University; and to provide necessary and desirable equipment and facilities for the students and the faculty thereof.

(2) To establish and operate on or near the campus of said University cafeteria or cafeterias, bookstore or bookstores, and such other facilities as would aid, assist or supplement the educational or extracurricular activities of the personnel of said University.

(3) To acquire and dispose of such properties, and to perform such acts, as shall be necessary and proper in carrying out the purposes aforesaid; and to borrow and to lend money when, through doing so, the requirements of the foregoing purposes can be promoted or enhanced; and to do such other acts, as may be permissible of corporations under the laws of the State of California, which shall foster, facilitate or assist in the performance of the foregoing.

C. The statement of purposes set forth in this paragraph shall be construed as a statement of both purposes and powers, and the purposes and powers stating each clause shall, except where otherwise expressed, be in no ways limited or restricted by reference to or interference from the terms or provisions of any other clause, but shall be regarded as independent purposes.

#### FOURTH

A. This corporation is organized and operated exclusively for charitable purposes within the meaning of Internal Revenue Code section 501(c)(3).

B. No substantial part of the activities of this corporation shall consist of carrying on propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate or intervene in any political campaign (including the publishing or distribution of statements) on behalf of any candidate for public office.

#### FIFTH

The property owned by this corporation is irrevocably dedicated to charitable purposes, and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or the benefit of any private person.

#### SIXTH

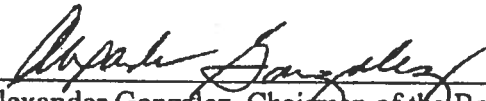
Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation, or corporation which is (i) organized and operated exclusively for charitable purposes, (ii) has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code, and (iii) approved by the President of the Sacramento Campus and by the Chancellor of the California State University.

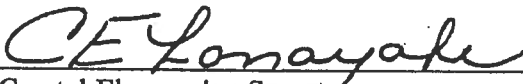
3. The foregoing amendment and restatement of Articles of Incorporation has been duly approved by the Board of Directors of the corporation.

4. The corporation has no members.

We further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of our own knowledge.

Date: September 27, 2012

  
Alexander Gonzalez, Chairman of the Board

  
Crystal Ekanayake, Secretary



I hereby certify that the foregoing  
transcript of 3 page(s)  
is a full, true and correct copy of the  
original record in the custody of the  
California Secretary of State's office.

OCT 17 2012

Date: \_\_\_\_\_

*Debra Bowen*  
DEBRA BOWEN, Secretary of State