



## Financial Conflict of Interest Policy

**Purpose:** Avoidance of financial conflict of interest.

FZata, Inc. strives to create a research climate that promotes objectivity in research by establishing standards such that research including government funded research is free from bias resulting from financial conflict of interest (FCOI).

The FZata FCOI policy consists of two parts:

- Policy and Procedure for Financial Conflict of Interest in Government Funded Projects.
- Protocol for Handling Financial Conflict of Interest.



**Policy and Procedure for Financial Conflict of Interest in Government-Funded Projects.**

**I. POLICY**

FZata strives to create a research climate that promotes objectivity in research by establishing standards such that the design, conduct and reporting of government funded research, including without limitation National Institutes of Health (NIH) funded research, is free from bias resulting from financial conflict of interest (FCOI).

This policy is applicable to each employee who is planning to, or is, participating in research activity that is either partially or wholly supported by government funds.

Each such employee must:

- A) Disclose his or her significant financial interests (SFI) in non-FZata entities that would appear to be related to the employee's professional responsibilities on behalf of FZata;
- B) Comply with a FCOI management plan, if a FCOI is identified; and
- C) Undergo FCOI training, at least once every four years.

Disclosure of SFI is essential for FZata to determine if a FCOI exists, and in cases of FCOI determine how it will be managed and reported in full compliance with government regulation. Non-disclosure of SFI or non-compliance with FCOI management plan may subject the employee to employment discipline including, without limitation, suspension or termination of employment.

**II. DEFINITIONS**

**Employee's Professional Responsibilities (EPR)** on behalf of FZata include but are not limited to research, development, presenting data internally or in outside conferences, submitting patent applications, and publication.

**Excluded Source** means a source of remuneration that is excluded from disclosure. Excluded Sources are – United States federal, state, or local government agency, a US Institution of higher education, a US academic teaching hospital, a US medical center, or a US research institute that is affiliated with an Institution of higher education.

**Financial Interest** means anything of value, whether or not the value is readily ascertainable.

**Financial Conflict of Interest (FCOI)** means a significant financial interest that could directly and significantly affect the design, conduct, or reporting of government funded research.



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**Significant Financial Interest (SFI)** means the value of remuneration received by the employee, employee's spouse or dependent children that reasonably appear to be related to the employee's FZata responsibilities exceeds the SFI threshold. The **FZata SFI threshold** is the less of \$5,000 or 10% of the employee's salary at FZata.

### III. DETERMINING OCCURRENCE OF SIGNIFICANT FINANCIAL INTEREST (SFI)

SFI occurs when any of the following criteria are met and in aggregate meet or surpass the SFI threshold:

- A) Salary or other payments for services (e.g., consulting fees or honoraria) received in the twelve months preceding disclosure;
- B) Equity interests (e.g., stocks, stock options or other ownership interests); however, equity interest in a non-publicly traded entity, **no matter the amount**, constitutes an SFI;
- C) Income from intellectual property rights owned by the employee: and
- D) Externally funded, reimbursed or sponsored travel that would appear to be related to employee's FZata responsibilities, however, that is not funded by FZata. Such travel must be disclosed, **no matter the amount**, except when the expenses are covered by any of the Excluded Sources.

SFI Excludes the following:

- E) Salary, royalties, stock options or other remuneration from FZata;
- F) Income from seminars, lectures, teaching engagements, service on advisory committees or review panels, derived from Excluded Sources;
- G) Income from investment vehicles, such as mutual funds and retirement accounts, as long as the employee does not directly control the investment decisions; and,
- H) Unlicensed intellectual property owned by the employee that does not generate income. Note that Intellectual property owned by FZata is excluded.

### IV. PROCEDURE

Employees who are planning to or participating in research activity that is either partially or wholly supported by government funds must disclose their SFI in a timely fashion to the designated FZata FCOI official. The designated FZata FCOI official will determine whether the SFI constitutes an FCOI, based on guidance set by the FZata Management Team (MT). The designated FZata FCOI official him- or herself shall disclose SFI to the MT. Consistent with the



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attached Protocol for Handling Financial Conflict of Interest, if the SFI is determined to be an FCOI, the FZata FCOI official will take actions to discuss and approve the implementation of an FCOI management plan consistent with government regulation and, furthermore, to promptly notify the government funding component (e.g., NIH) via a FCOI report.

As a part of the FCOI management plan, the designated FZata FCOI official will decide one or more actions depending upon the situation, including requiring certain disclosure in public presentations, employee role reassignment, reduction or elimination of the financial interest sanctions (e.g., sale of an equity interest) or severance of relationships that create financial conflicts. Employees with an identified FCOI must comply with the FCOI management plan.

The designated FZata FCOI official is responsible for administration of this policy. As of now, Dr. Zhiyong Yang will be in charge of this.

**Protocol for Handling Financial Conflict of Interest**

This protocol along with the policy and procedure titled, “Policy and Procedure for Financial Conflict of Interest in Government-Funded Projects,” constitute the FZata FCOI policy. Capital terms in this protocol shall have the same meaning as set forth in the policy. This protocol outlines the procedure that will be followed as per regulation (Title 42 CFR 50.601-50.607).

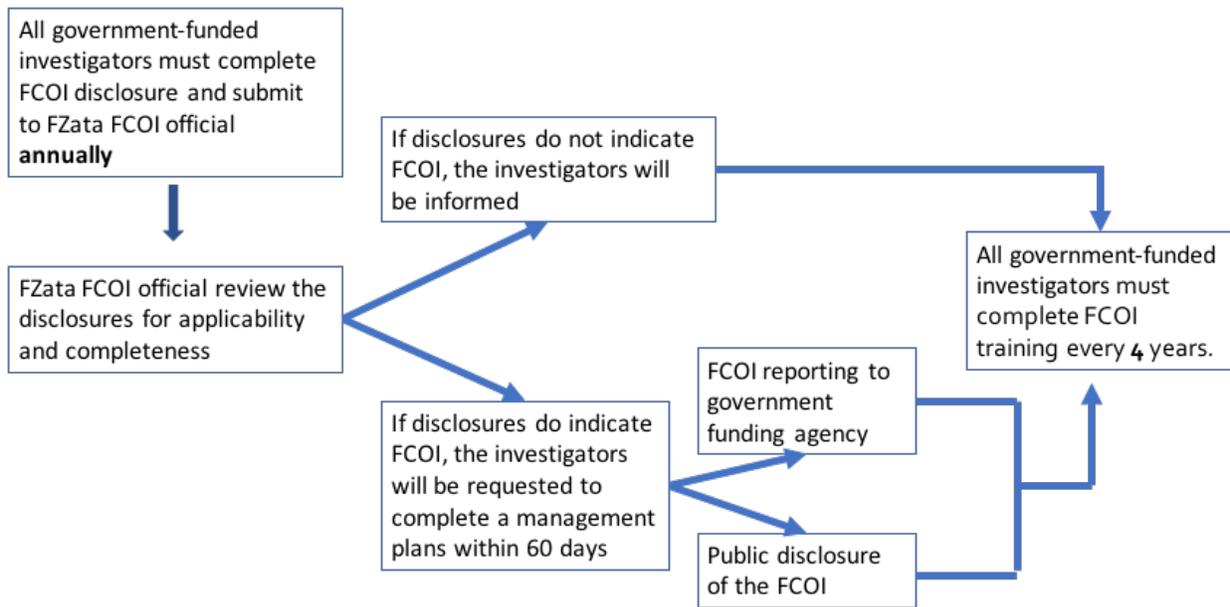


Figure 1: An illustration of Financial Conflict of Interest Policy at FZata.

This document specifies the FCOI protocol for Government-funded research: that is the step-by-step implementation of the FZata FCOI policy.

1. Who is required to disclose financial interests

Employees planning to or participating in research activity that is either partially or wholly supported by Government funds are required to disclose financial interests (“Government-funded Investigators”).

2. SFI disclosure

Government-funded Investigators are required to disclose SFIs to the designated FZata FCOI official, as follows:



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- A. Employees planning to participate in Government-funded research are required to disclose all SFI's prior to submission of an application for Government-funded research.

Sample disclosure can be found below:

I am an inventor of a patent related to the technology described in this (define situation; i.e publication, proposal, research award, presentation, etc) for which I am entitled to receive royalties

OR

I have an ownership interest in FZata, Inc, that has licensed the technology described in this (define situation)...

- B. Once the research project has been funded all Government-funded investigators shall submit SFI Disclosures within thirty (30) days of acquiring any new or increased SFI,
- C. When a new investigator joins an ongoing Government-funded project, the investigator shall submit SFI disclosures within thirty (30) days of joining the project.
- D. All Government-funded investigators shall submit an updated SFI disclosure annually.
- E. SFI disclosures (except travel) must include the following information:

Identity of the sponsor/organizer; and Nature of SFI (e.g., salary, license income, stock).

- F. Externally funded travel also constitutes SFI, and therefore the disclosure requirements shall apply. That is, Government-funded investigators shall submit SFI Disclosures for externally funded travel: prior to submission of an application for Government-funded research; and for Government-funded projects within thirty (30) days of externally funded travel and in an annual update. The following travel related information must be disclosed: Purpose, Identity of the sponsor/organizer, Destination, and, Duration.

### 3. Review of disclosures

All SFI disclosures, including those submitted by a new investigator who joins an ongoing Government-funded project, will be reviewed by the designated FZata FCOI official. The review will determine whether an SFI is related to the PHS-funded research and therefore an FCOI. The designated FZata FCOI official may involve the relevant investigator in the review, and request additional information from the investigator.

When an SFI that was not disclosed by a Government-funded Investigator in a timely manner is identified, the designated FZata FCOI official will determine if FCOI exists, develop and implement a management plan within sixty (60) days after the identification of the SFI. In addition, the designated FZata FCOI official will conduct a retrospective review of SFIs for the Government-funded investigator within one hundred twenty (120) days and document it.



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### 4. Management of FCOI

For each disclosure that leads to determination of FCOI, the FZata MT will discuss and approve the implementation of a management plan developed by the designated FZata FCOI official. Government-funded Investigators with an identified FCOI must comply with the management plan. The management plan will include the following elements at a minimum:

- A. The role and principal duties of the conflicted PHS-funded Investigator in the research project;
- B. Conditions of the management plan (see examples below);
- C. How the management plan is designed to safeguard objectivity in the research project;
- D. Confirmation of the PHS-funded Investigator's agreement to the management plan; and
- E. How the management plan will be monitored to ensure PHS-funded Investigator compliance.

Examples of conditions or restrictions that might be imposed to manage a Government-funded Investigator's FCOI include, but are not limited to:

Public disclosure of financial conflicts of interests (e.g., when presenting or publishing the research; to staff members working on the project; to Institution's Institutional Review Board(s));  
For research projects involving human subjects research, disclosure of financial conflicts of interest directly to participants;  
Appointment of an independent monitor capable of taking measures to protect the design, conduct, and reporting of the research against bias resulting from the Financial Conflict of Interest;  
Modification of the research plan;  
Change of personnel or personnel responsibilities, or disqualifications of personnel from participation in all or a portion of the research;  
Reduction or elimination of the financial interest (e.g., sale of an equity interest); or  
Severance of relationships that create financial conflicts.

### 5. Reporting FCOI to Government Awarding Component (e.g. the NIH)

Based on the FCOI management plan, the designated FZata FCOI official will submit an initial FCOI report to the Government-funding component, for example, NIH. The report will be submitted, for example using eRA Commons for NIH, and consist of all elements required by the regulation.

The FCOI report will be submitted prior to the expenditure of funds under the Notice of Award. FCOIs identified during the period of award will be submitted to the Government entity within sixty (60) days of identification, including for new investigators joining an ongoing Government-funded project.



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Annual FCOI reports (or revised reports as a result of retrospective reviews) will also be submitted and will include the status of financial conflict, i.e., whether the financial conflict is still being managed or explains why the financial conflict no longer exists. These FCOI reports will also include a description of any changes to the management plan since the last FCOI report.

### 6. Training for FCOI

PHS-funded Investigators must undergo training with respect to this Policy and PHS FCOI rules and regulations, as follows:

When a new employee joins FZata;  
Prior to participating in government-funded research, and at least once every four years;  
When the FZata FCOI policy changes in a manner that effects government-funded Investigator disclosure or compliance requirements; and,  
If government-funded Investigator is determined not compliant with the FCOI Policy or an FCOI Management Plan.

NIH web-based training (<http://grants.nih.gov/grants/policy/coi/tutorial2011/fcoi.htm>) will be used. **Employees must save and print the FCOI Certificate as proof of completion.**

### 7. Sanctions for violation of policy

Disclosure of SFI is essential for FZata to implement its FCOI policy. If a Government-funded Investigator fails to comply with this policy (with regard for instance to the SFI disclosure requirement or implementation of an FCOI management plan), and appears to have biased the Government-funded research, the FZata MT will implement a mitigation plan and require that the Investigator disclose the FCOI in each public presentation of the results of the research, and to remedy previously published presentations with an FCOI disclosure addendum. In addition, the employee may be subject to employment discipline including, without limitation, suspension or termination of employment.

In any case, the government-funding agency will be promptly notified.

### 8. Retention of records

Records of financial disclosures and any resulting action will be maintained for three (3) years from the date of submission of the final expenditures report.

### 9. Sub-recipient compliance

When working with or as a subrecipient, a written agreement will be put in place to clarify: (a) which organization's (prime awardee or subrecipient) FCOI policy will be followed, and, (b) in either case, clarify the timeline for disclosure and reporting. Note that the prime awardee is



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responsible for monitoring subrecipient's compliance with the Financial Conflict of Interest regulation, management plans, and for reporting all identified financial conflicts of interest.

### 10. Public accessibility

As required by Government regulation, the FZata FCOI policy is being made accessible on FZata web site.

If a Government-funded investigator holds financial interests that are determined to be FCOI, as required by government regulation, these will also be posted on the web site, as follows:

- A. Include the minimum elements required by the regulation;
- B. Update within sixty (60) days of a newly identified FCOI;
- C. Update annually; and
- D. Remain available for three (3) years