**Disclosure Requirements for Outside Professional Activities**

Outside professional activities are defined as those activities that are within a faculty member’s area of professional, academic expertise and that advance or communicate that expertise through interaction with industry, the community, or the public. In accordance with the Health Sciences Compensation Plan(Plan), every member of the Compensation Plan (“Plan Participant”) must report annually the amount of time dedicated to and all compensation received for outside professional activities. The compensation for outside activities includes both cash and non-cash compensation (stock, stock options, founder’s stock, and other equity positions).

***Disclosure requirements: Roles and responsibilities related to outside entities***

Each year, all Plan Participants are required to disclose their roles with outside entities and organizations. The Health Sciences Compensation Plan (APM 671) defines three categories of outside professional activities, I,II and III. All Category I and II activities (which includes consulting activities) must be disclosed in OATS and, in some cases, require pre-approval.

Category I Activities

Any Plan Participant who serves as a founder for an outside entity must request pre-approval for this Category I role and must renew approval every year. The requests for approval and renewal must be submitted in OATS.

Plan Participants may not be employed by an outside organization nor serve in a management role for an outside entity without pre-approval of these Category I roles. A Compensation Plan Participant may request approval to serve in a management role for a defined period of time, typically during the period when a new company is recruiting a management team. All requests for Category I approval should be submitted in OATS.

Category I and II Activities - Disclosure of Time and Earnings

Plan Participants must disclose time spent and all forms of compensation received for all Category I and II outside professional activities. The time and earnings thresholds are defined in each department’s Compensation Plan. The OATS system is programmed to set the time and earnings thresholds for each Plan Participant, based on academic rank, step, and the terms of each Compensation Plan. All forms of compensation related to Category I and II outside professional activities, including cash and non-cash compensation, must be reported.

Non-cash compensation is valued through a formal review process (see below). Any activity that will result in exceeding the time or earnings thresholds must be submitted through OATS and approved, in advance, by the Department Chair and the Dean’s office. Management of earnings related to outside professional activities is described in each department’s Compensation Plan.

***Disclosure requirements: Non-Cash Compensation***

Plan Participants who receive stock, stock options, founder’s stock or other forms of non-cash compensation in lieu of compensation for outside professional activities must disclose the non-cash compensation to the Dean’s Office **within 30 days of receipt,** independent of any vesting periods.

* If shares of stock are provided as compensation for outside professional activities, the shares will be valued at the time they are disclosed to the Dean’s office. The valuation determines the value of the stock, which counts towards the annual earnings threshold, and whether the Plan Participant has a financial obligation to the Plan.
* If stock options are provided as compensation for outside professional activities and offered at market value, independent of the vesting period, in all likelihood there will not be a financial obligation to the Plan.
* If stock options are offered at a lower price than the stock/stock option’s valuation on the date of disclosure, the difference between the purchase price and the value of the stock/stock options contributes to the earnings threshold and may be due the Plan.
* Plan Participants who do not disclose stock/stock options within 30 days of receipt will owe the Plan the difference between the initial purchase/offer price and the market value **at the time of disclosure to the Dean’s office**.
* Valuation of all forms of non-cash compensation is based on the time they are offered to Plan Participants and the date of disclosure to the Dean’s office. It should be noted that the value of all non-cash compensation contributes towards the annual earnings threshold and must be disclosed to the Plan.

**Valuation of stock/options**

***Publicly-Traded Companies:***

Within 30 days of receipt of stock or stock options, the following information must be provided to the Dean’s Office:

1. A copy of all agreements related to the outside work and compensation that were made between the Plan Participant and the company; and
2. A copy of the offer letter or other documentation that describes the number of shares of stock or options that were offered to the Plan Participant. This letter or document should include the date(s) on which the Plan Participant signed  the stock or stock option offer(s)

***Non-publicly Traded Companies:***

Within 30 days of receipt of stock or stock options, the following information must be provided to the Dean’s Office:

1. A copy of all fully executed agreements related to the outside work and compensation that were made between the Plan Participant and the company; and
2. A copy of the offer letter or other documentation that describes the number of stocks or options that were offered to the Plan Participant. This document should include the date(s) on which the Plan Participant signed the stock or stock option offer(s).
3. Information that allows the University to determine the value of non-cash compensation. As background information for the valuation, a copy of any documents the Plan Participant received from the company that defines the value of the stock at the time it was originally offered must be provided. For stock options, the documentation should include the purchase price for the options and sufficient information to determine if the offer price is equal to or below the market value of the shares on the day of the offer. Typically, the information is documented in meeting minutes of the Board of Directors or in SEC filing papers. A company’s stock or stock options can also be valued by an outside attorney or accounting firm (e.g. 409a valuation report). An 83b election form may also be used, if available.
4. The information required for valuation is required, independent of vesting periods for purchase of shares of stock.

***To initiate the valuation process, complete the table below and submit all appropriate documents to*** [***SOMStockDisclosure@ucsf.edu***](mailto:SOMStockDisclosure@ucsf.edu)***.***

|  |  |
| --- | --- |
| **Stock** |  |
| **Number of shares granted:** |  |
| **Market value on \_\_\_\_\_\_\_\_ (date)** |  |
| **Date received:** |  |
| **Stock options/Founder’s stock** |  |
| **Type of Option:** | **[**non-statutory] (most likely) |
| **Number of options:** |  |
| **Market value on \_\_\_\_\_\_\_\_\_\_ (date)** |  |
| **Date received:** |  |
| **Exercise price per share:** |  |
| **Vesting Schedule:** |  |