

California State University Channel Islands Foundation

Conflict of Interest Policy

PURPOSE: To provide that California State University Channel Islands Foundation (Foundation) operates in accordance with applicable regulations and policies of the CSU Board of Trustees, California Education Code and the campus.

EFFECTIVE DATE: August 1, 2005

CONFLICT OF INTEREST POLICY

I. AUTHORITY

California Education Code, Section 89906: No member of the governing board of an auxiliary organization shall be financially interested in any contract or other transaction entered into by the board of which he is a member, and any contract or transaction entered into in violation of this section is void. California Education Code, Section 89907: No contract or other transaction entered into by the governing board of an auxiliary organization is void under the provisions of Section 89906, nor shall any member of such board be disqualified or deemed guilty of misconduct in office under said provisions, if the circumstances specified in the following subdivisions exist: (a) The fact of such financial interest is disclosed or known to the governing board and noted in the minutes, and the governing board thereafter authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such financially interested member or members, and (b) The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved. California Education Code, Section 89908: The provisions of Section 89907 shall not be applicable if the circumstances specified in any of the following subdivisions exist:

- a. The contract or transaction is between an auxiliary organization and a member of the governing board of that auxiliary organization.
- b. The contract or transaction is between an auxiliary organization and a partnership or unincorporated association of which any member of the governing board of that auxiliary organization is a partner or in which he is the owner or holder, directly or indirectly, of a proprietorship interest.
- c. The contract or transaction is between an auxiliary organization and a corporation in which any member of the governing board of that auxiliary organization is the owner or holder, directly or indirectly, of 5 percent or more of the outstanding common stock.

d. A member of the governing board of an auxiliary organization is interested in a contract or transaction within the meaning of Section 89906, and without first disclosing such interest to the governing board at a public meeting of the board, influences or attempts to influence another member or members of the board to enter into the contract or transaction. California Education Code, Section 89909: It is unlawful for any person to utilize any information, not a matter of public record, which is received by him by reason of his membership on the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he is or is not a member of the governing board at the time such gain is realized.

II. PURPOSE

Foundation is a legal entity under State law and subject to specific statutes, regulations, and policies of State, Federal, and some times local governments. To the extent that non-State funded activities occur on a campus, the campus President is directly responsible by State statute for ascertaining that all expenditures by Foundation are in accordance with policies of the trustees, and to require that the Foundation operate in conformity with policy of the Board of Trustees, the California Education Code and the campus.

Foundation is to operate in accordance with applicable regulations and policies of the CSU Board of Trustees, the California Education Code and the campus. Even though auxiliary organizations may be organized as corporations, they are first and foremost auxiliary organizations of the CSU and must therefore operate pursuant to the specific statutes and regulations applicable to auxiliary organizations.

Based upon the authority cited above, Foundation is required to adopt a conflict of interest policy and procedures for members of their governing boards and employees.

Furthermore, members of the Board of Directors and officers of Foundation serve the public trust and have a clear obligation to fulfill their responsibilities in a manner consistent with this fact. All decisions of the Board and officers are to be made solely on the basis of a desire to promote the best interest of Foundation and the California State University Channel Islands and the public good. The integrity of Foundation and the California State University Channel Islands must be protected and advanced at all times.

Most potential conflicts are and will be deemed to be inconsequential, it is everyone's responsibility to ensure that the Board is made aware of situations that involve personal, familial, or business relationships that may be troublesome for **Foundation or California State University Channel Islands**. *Thus, the Board requires each director and officer annually (1) to review this policy; (2) to*

*disclose any possible personal, familial, or business relationships that reasonably could give rise to a conflict of interest involving **Foundation or California State University Channel Islands**; and (3) to acknowledge by his or her signature that he or she is in accordance with the letter and spirit of this policy.*

IV. POLICY GOVERNING BOARD OF DIRECTORS AND EMPLOYEES

No member of the governing board of directors or employee of Foundation shall be financially interested in any contract or other transaction entered into by the governing board that is not in accordance with the conflict of interest provisions set forth in Education Code 89906-89909. To avoid contracts or transactions entered into by the governing board of the Foundation from being voided, a board member must disclose a financial interest which could be impacted by the action of the governing board. Under these circumstances the board member must refrain from any action to influence or approve such a transaction.

V. REPORTING

Foundation shall provide the campus Associate Vice President for Human Resources with a report of compliance with this policy. The report should include the names, positions, terms of office and date compliance statements were signed. This report shall be forwarded to the campus Associate Vice President for Human Resources annually by June 15. Violations of the conflict of interest policy shall be reported to the campus Associate Vice President for Human Resources upon discovery. All directors and officers are requested to disclose only those substantive relationships that they maintain (or members of their family maintain) with organizations that do business with **Foundation, California State University Channel Islands**, or any related or affiliated organization, or which otherwise could be construed to potentially affect their independent, unbiased judgment in light of their decision-making authority or responsibility. Any uncertainties as to the appropriateness of listing a particular relationship may be resolved by consultation with the Chair of Foundation, who in turn may consult with legal counsel or the Board of Directors in executive session. Information disclosed or provided by any person pursuant to this policy shall be held in confidence except when, after consultation with that person, the best interests of **Foundation or California State University Channel Islands** would be served by disclosure.

VI. Restraint on Participation. Directors or officers who have declared or have been found to have a conflict of interest shall refrain from consideration of proposed transactions, unless for special reasons the board or administration requests information or interpretation. Persons with conflicts shall not vote, participate in discussion, nor be present at the time of the vote. Any proposed transaction in which a conflict of interest has been declared or found to exist must be approved by a majority of the disinterested members of the Board or the appropriate committee of the Board after disclosure of the conflict of interest.

VII. DEFINITIONS

"Business Relationship" - one in which a director, officer, family member is an officer, director, employee, partner, trustee, controlling stockholder, or the actual or beneficial owner of more than 5% of the voting interest of an organization.

"Conflict of Interest" - a conflict of interest is defined as participating in or making decisions which could reasonably affect a person's economic interests in a material way and that such participation would impact the person's economic interest differently than other persons with the same association with the auxiliary organization.

"Family Member" - a spouse, parents, siblings, children or any other relative of a director or officer if the latter resides in the same household as the director or officer.

"Substantive Relationship" - one in which a director, officer or family member, or an organization with which the director, officer, or family member has a business relationship, (1) does substantial business with **Foundation, California State University Channel Islands**, or any related or affiliated organization or (2) has other direct or indirect dealings with **Foundation, California State University Channel Islands**, or any related or affiliated organization from which the director, officer or family member benefits directly, indirectly or potentially from cash or property receipts totaling \$10,000 or more annually.

"Statement of Compliance" - The annual statement signed by each member of an auxiliary governing board which signifies that they have read and understood the provisions set forth in Education Code Sections 89906-89909 and are not financially interested in any contract or other transaction entered into by Foundation.