

SECTION 2. Ethics and Accountability

2.2 Conflict-of-interest

2.2.1 Purpose

The Conflict-of-interest Policy is to protect the University Foundation, California State University, Chico (Foundation) interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an Officer or Director. This policy is intended to supplement but not replace any applicable regulation and policies of the California State University Board of Trustees, California State University, Chico and state laws governing conflicts of interest applicable to nonprofit and charitable corporations.

2.2.2 Definitions

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.

Interested Person. Any officer, governor, director or employee of California State University, Chico and its auxiliaries, who has a direct or indirect financial interest as defined below, is an interested person.

Financial Interest. A person has a financial interest if the person has, directly or indirectly, through business, investment or family:

- (a) An ownership or investment interest in any entity with which the Foundation has a transaction or arrangement, or;
- (b) A compensation arrangement with the Foundation or with any entity or individual with which the Foundation has a transaction or arrangement or;
- (c) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Foundation is negotiating a transaction or arrangement.
- (d) Compensation. Includes direct or indirect remuneration as well as gifts or favors. A financial interest is not necessarily a conflict-of-interest. A person who has a financial interest may have a conflict-of-interest only if the Board or appropriate committee, subcommittee decides that a conflict-of-interest exists.

2.2.3 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 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/she 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 any auxiliary organization, for personal pecuniary gain, regardless of whether he is or is not a member of the governing board at the time such a gain is realized.

2.2.4 Duty to Disclose

No member of the governing board or employee of CSU, Chico University 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 CSU, Chico University 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.

2.2.5 Determination of Conflict

After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he or she shall leave the Board of Governors while the determination of a conflict-of-interest is discussed and voted upon. The remaining governors shall decide if a conflict-of-interest exists; provided however, if the interested person believes a conflict-of-interest exists, the Board shall consider this in reaching its decision.

2.2.6 Annual Reporting

The Foundation's Chief Executive Officer shall provide the Foundation's Treasurer with an annual 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 Treasurer annually by June 30.

Violations of the conflict-of-interest policy shall be reported to the Foundation's Treasurer upon discovery.

Date of Board Approval and Effective Date: February 23, 2018

Date of last review: February 23, 2024