

UNIVERSITY CORPORATION AT MONTEREY BAY BOARD POLICY

Policy 104

Conflict of Interest Policy

Section: 100- Administration

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1) **PURPOSE**

Interactions between any auxiliary and external organizations frequently involve complex relationships that require the use of guidelines, such as this policy on Conflict of Interest, to assure the importance of fiduciary integrity. Application of this policy is particularly important in the case of persons exercising significant auxiliary authority. Those with such responsibilities must take particular care to avoid relationships that would lead inappropriately to the individual's personal financial gain, relationships that might adversely affect the professional advancement of colleagues, or relationships that might otherwise inject inappropriate considerations into administrative decisions.

Therefore, all full- and part-time employees and all auxiliary board members are required by this policy to avoid conflicts of interest and conflicts of commitment in their relationships with external organizations.

2) **POLICY**

- a) **Definition.** Conflict of Interest relates to matters that might unduly influence personal judgment, including financial or other personal considerations that have the potential or the appearance of compromising a person's objectivity in meeting auxiliary duties or responsibilities. This policy applies only to matters pertaining to actions of the Board of Directors of the auxiliary organization known as the University Corporation of California State University, at Monterey Bay, and not to any relating entity, including but not limited to California State University, Monterey Bay or California State University.
- b) **Statement of Understanding.** A Conflict of Interest policy and statement of understanding will be executed by each Board member and filed with Corporation each year.
- c) **Statutes.**
 - i) In the State of California Education Code (sections 89906-89908), the legislature has established statutes prohibiting a governing Board member (either themselves or in association with another entity) from having a financial interest or contract with the auxiliary organization of which they are a member. Specifically, 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 (section 89906).
 - ii) However, no member of such board shall be disqualified or deemed guilty of misconduct in office if the following specific circumstance exists:
 - (1) 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

(2) The contract or transaction is just and reasonable as to the auxiliary organization at the time it is authorized or approved (section 89907).

iii) Any contracts or transactions established would be void if:

(1) The contract or transaction is between an auxiliary organization and a member of the governing board of that auxiliary organization, with the exception of those contracts or transactions that may be approved by Board resolution.

(2) 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.

(3) 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.

(4) 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 (Section 89908).

iv) Further, 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 (section 89909).

d) Course of action

i) Any member or members of an auxiliary board having a direct or indirect financial interest in an auxiliary contract or transaction must disclose the conflict of interest at a public meeting of the board prior to any discussion or action of the board, and such disclosure shall be recorded in the minutes.

ii) Any member or members of an auxiliary board having the appearance of an opportunity for financial interest or gain shall disclose circumstances leading to the appearance, and the remaining board members shall determine by vote the appropriateness of the member's or members' further participation in any discussion or action of the board.

iii) Any board member or members in conflict of interest pertaining to a contract or transaction shall refrain from participating in any board discussion related to the contract or transaction, and abstain from voting on any subsequent board action. Such member or members should consider absenting the room during board discussion or action, should it appear that their presence is inappropriate.

iv) Should an auxiliary board enter into a contract or transaction in which a member or members have disclosed a conflict of interest, the board must formally resolve that the contract or transaction is "just and reasonable," and such resolution shall be reflected in the minutes.

3) RELATED DOCUMENTS

a) State of California Education Code (sections 89906-89908)