

CALIFORNIA STATE UNIVERSITY FOUNDATION
CODE OF ETHICS

Revised Policy Effective Date: September 14, 2006

1. Members of the governing board and senior financial officers shall abide by Conflict of Interest regulations as outlined in the California Education Code, applicable Sections of which are set forth below.

§89906 FINANCIAL INTEREST PROHIBITED. 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/she is a member, and any contract or transaction entered into in violation of this section is void.

§89907 EXCEPTION. No contract or other transaction entered into by the governing board of an auxiliary organization is void under the provisions of §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 exists:

- (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.

§89908 CERTAIN PROVISIONS NOT APPLICABLE. The provisions of §89907 shall not be applicable if the circumstances specified in any of the following subdivisions exists:

- (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 five (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 §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.

§89909 UNLAWFUL TO UTILIZE NONPUBLIC INFORMATION FOR PERSONAL PECUNIARY GAIN. It is unlawful for any person to utilize any information, not a matter of public record, which is received by him/her by reason of his/her membership of the governing board of an auxiliary organization, for personal pecuniary gain, regardless of whether he/she is or is not a member of the governing board at the time such gain is realized.

2. Members of the governing board and senior financial officers shall sign an acknowledgement on an annual basis attesting that they are not involved in any transaction or relationship that involves a prohibited financial interest as described in, and not exempted from, Education Code §89906 (a "Conflict of Interest").
3. Members of the governing board and senior financial officers shall consult with Foundation General Counsel regarding any existing or proposed transaction or relationship that may constitute a conflict that would violate §89906 and, in the case of a proposed transaction, whether to present the proposed transaction to the Board for possible approval in accordance with §89907, if available, or whether the proposed transaction should not be pursued. If the Conflict of Interest is deemed to exist, it shall be handled in accordance with Section 4 of this Code of Ethics
4. If a Conflict of Interest is deemed to exist, it shall be reported to the Audit Committee. The Audit Committee shall devise and recommend to the Board a proposed resolution of, or course of action with respect to, the Conflict of Interest. The Audit Committee shall place the matter on the regular meeting agenda for appropriate action by the Board of Governors. The Board shall discuss the matter in open session, allowing any Governor with a Conflict of Interest to provide an explanation. The Board shall then by majority vote (not including the vote of any Governor with a Conflict of Interest) take action regarding the matter. Such action may include, but is not limited to, validation of the transaction pursuant to §89907, if available, validation of the transaction with conditions, censure or removal of the Governor, rescission of the transaction, or any other action deemed appropriate by the Board.
5. In the interest of avoiding even the appearance of impropriety, members of the governing board and senior financial officers shall disclose in writing to the Board of Governors any *Material* interest or relationship of which the Governor or senior financial officer is actually aware, even if it is not expressly described in or prohibited by Education Code §89906.
 - a. *Material* interests or relationships that may give the appearance of impropriety include, but are not limited to, any direct or indirect financial interest of the Governor or senior financial officer, immediate family members¹ of the Governor or senior financial officer, or any business entity in which the Governor or senior financial officer has an ownership interest of five percent (5%) or more, in a contract or transaction proposed to be entered into by the Office of the Chancellor.
 - b. For purposes of this Section 5, an interest or relationship is *Material* if it involves a potential financial benefit or detriment to the Governor or senior financial officer, or immediate family members of the Governor or senior financial officer, of \$2,000 or more.
 - c. A relationship consisting solely of employment with a party to a transaction, where the Governor or officer, or his or her immediate family member, holds less than five percent (5%) of the ownership interests in his or her employer, is not a *Material* interest or relationship.
 - d. Academic or admissions decisions affecting the Governor or officer, or immediate family members of the Governor or officer, made in the ordinary course of business and without undue influence, is not a *Material* interest or relationship.

¹ Immediate family members shall be defined as a spouse, registered domestic partner or dependent child.

- e. In cases where a Governor or senior financial officer is aware of a *Material* interest in a proposed transaction with the Office of the Chancellor, such Governor or senior financial officer shall disclose his or her relationship with the CSU Foundation and the *Material* interest in the transaction, to all parties to the proposed transaction.
6. Section 5 of this Code of Ethics is designed to assist the Foundation and the Office of the Chancellor in avoiding even the appearance of impropriety through disclosure of defined Material relationships, and is not necessarily intended to prohibit the transactions or relationships described therein. Accordingly, Governors and senior financial officers must disclose or cause their related parties to disclose any matter that is described in Section 5 of this Code of Ethics.
7. Members of the governing board shall recuse themselves from the vote on any matter that involves an actual or potential Conflict of Interest involving that Governor or that the Governor recognizes to involve the possible appearance of impropriety involving such Governor or a member of his immediate family.
8. Any evidence or allegations of violations of this Code of Ethics by a Governor or senior financial officer shall be reported to the Foundation General Counsel, and one of either the President or the Audit Committee Chairman. Foundation General Counsel shall discuss the matter with the Governor to obtain additional facts and perspective. If a Conflict of Interest relationship is deemed to exist, Section 4 of this Code of Ethics shall be followed.
9. Employees or other persons affiliated with the Foundation may report any evidence or allegations of violations of the Conflict of Interest policy, or irregularities in accounting or financial matters, to the Audit Committee Chairman and the Foundation General Counsel. The Audit Committee, in consultation with the Foundation General Counsel, shall then take proper action to investigate the matter and recommend a response to the allegations. Employees or other affiliates who report suspected Conflicts of Interest or financial or accounting irregularities shall be protected from any retaliation as a result of the report.