



Conflict of Interest Policy

I. Purpose

This Policy provides ACERA Trustees and Staff with guidelines for carrying out their fiduciary duties and mitigating the risk of an actual or perceived conflict of interest. For purposes of this Policy, a conflict of interest is defined as any matter that could reasonably be expected to interfere with the obligations of Trustees and Staff to prudently discharge their duties to the system solely in the interest of, and for the exclusive purpose of providing benefits to, ACERA members and their beneficiaries.

II. Governing Law and Policy

- A. The Political Reform Act of 1974 (Gov't Code §§81000), regulations of the Fair Political Practices Commission ("FPPC") (2 Cal. Code of Regs. §§18104 et seq.), Gov't Code §§1090 et seq., and any amendments to these laws, are incorporated into this Policy by reference.
- B. The Board's Conflict of Interest Code, attached hereto as Exhibit A, is incorporated into this Policy by reference.
- C. Attached hereto as Exhibit B is an ACERA Legal Office memorandum that provides more detailed guidance about conflicts of interest in specific situations.

III. Assumptions

- A. With respect to ACERA activities, the duty of an ACERA Trustee or Staff members to ACERA's members and beneficiaries shall take precedence over any other duty.
- B. A perceived conflict of interest can pose as great a risk to ACERA as an actual conflict of interest. Thus, perceived conflicts should be treated as actual conflicts of interest.
- C. Safeguarding the ACERA trust for members and beneficiaries is paramount. Conflicts of interest, bribes, gifts, or favors that elevate private gains over the duty of Trustees and Staff to members and beneficiaries are unacceptable.
- D. It is not possible to identify and address in a policy all the methods by which Trustees or Staff may take actions that benefit them or third parties rather than members and beneficiaries. A policy therefore should consist of general guidelines and principles that will provide Trustees and Staff with direction as situations arise.

- E. In situations where law or policy is unclear, the best interests of members and beneficiaries must be served. Trustees and Staff shall act in good faith and exercise sound judgment.
- F. When interacting with existing or potential service providers, Trustees and Staff must establish and maintain an independent relationship to ensure they remain objective when conducting ACERA's affairs.

IV. Policy Guidelines

- A. Trustees and Staff shall **not**:
 1. Accept or solicit any gift, favor, behested payment or service that may reasonably tend to influence or be perceived to influence the individual in the discharge of his or her official duties or that the individual knows, or should know, is being offered with the intent to influence the individual's official conduct.
 2. Fail to adhere to applicable law and FPPC regulations regarding gift disclosure requirements and gift value limits.
 3. Request behested payments on behalf of any non-profit or charitable organization from any person or entity that is doing business with ACERA.
 4. Accept other employment or engage in a business or professional activity that the individual might reasonably expect would require or induce him or her to disclose confidential information acquired by reason of his or her official position.
 5. Engage in or accept other employment or compensation that could reasonably be expected to adversely impact the individual's independence of judgment and duty of loyalty in the performance of his or her official duties.
 6. Make personal investments that could reasonably be expected to create a conflict between the individual's private interests and the interests of the members and beneficiaries.
 7. Solicit, accept, or agree to accept any benefit for having exercised the individual's official powers or for having performed his or her official duties in favor of another.
 8. Transact any business in the individual's official capacity with any entity or person in which he or she has an economic interest, unless authorized by law.
 9. Appear before the Board while acting as an advocate for himself or herself or any other person, group, or entity, without fully disclosing his or her relationship and recusing himself or herself from the Board deliberations and voting.

10. Represent any business entity before the Board or senior management in return for any form of compensation.
 11. Represent, directly or indirectly, any business entity or individuals in any proceeding against the interests of ACERA or in any litigation in which the Plan is a party.
 12. Use the individual's official position to secure a special privilege or exemption for oneself or others that could be perceived as or is an actual conflict of interest under the intent of this policy.
 13. Use the individual's official position to secure confidential ACERA information for any purpose other than the exercise of official duties.
 14. Disclose any confidential information gained by one's position concerning the property, operations, policies, or affairs of ACERA, or use confidential information for pecuniary gain.
- B. When the Board is in, or about to enter into, the process of selecting a vendor, the Board, Staff and individual Trustees shall not accept any social invitations, gifts, favors or services from vendors, nor solicit any behested payments where it is reasonably foreseeable that the vendor is, or may reasonably be expected to be a candidate in the selection process, even if such acceptance would be permitted at other times.
- C. When an actual or perceived conflict of interest exists, Trustees and Staff shall fully disclose said conflict and abstain from participating in Board deliberations concerning the matter and in any way, except to the extent their participation is legally required for the decision to be made as allowed by applicable law and regulations.
- D. To facilitate compliance with this policy, Trustees and Staff may pay for their own expenses when interacting with existing or potential service providers, and in turn may be reimbursed or compensated for those expenses by ACERA, if allowable under applicable reimbursement policies. Receipts shall be obtained when ordinarily given and claims shall be submitted to the Chief Executive Officer or his or her designee for reimbursement.
- E. The ACERA Legal Office will maintain and provide to the Board Trustees, contemporaneous with the Form 700 materials, an annual report, listing the individuals and entities with whom ACERA is contracting for services, to assist the Trustees and Staff with disclosure and/or recusal obligations relating to their own economic interests, including those of their immediate family members.

V. Conflict of Interest/Form 700 Statement of Economic Interests

- A. Trustees and Designated Employees shall complete and file conflict of interest/Statement of Economic Interests – Form 700 as follows:
1. Initial Statements. Each person already in a position when it is designated by an amendment to the Conflict of Interest Code for ACERA shall file an initial statement within 30 days after the effective date of the amendment.
 2. Assuming Office Statements. All persons assuming designated positions after the effective date of the Conflict of Interest Code for ACERA shall file statements within 30 days after assuming the designated positions.
 3. Annual Statements. Due no later than April 1.
 4. Leaving Office Statements. All persons who leave designated positions shall file statements within 30 days after leaving office.

VI. Biennial Ethics Training

Under Government Code §53234 et seq., ACERA Trustees must receive at least two hours of training in general ethics principles and ethics laws relevant to public service every two years. Each Trustee shall attend ethics training at least once every two years and new Trustees shall attend no later than one year from the first day of service with ACERA, per Gov't Code §53235.1 The ACERA Legal Department will maintain records indicating the date ethics training was completed and the entity that provided the training.

VII. Policy Review

The Governance Committee shall review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

VIII. Policy History

- A. The Board reviewed and affirmed this policy, with revisions, on November 17, 2022.¹
- B. The Board revised Section IV(A)(3) on July 20, 2023.
- C. The Board affirmed this policy, without revisions, on August 21, 2025 and made a minor technical amendment on February 19, 2026.

¹ The Board adopted this policy on November 18, 1999. Previous amendment dates all with revisions: August 15, 2002; August 16, 2007; June 17, 2010; September 19, 2013; June 18, 2015; November 17, 2016; December 20, 2018 and November 21, 2019.

Exhibit A



ACERA Conflict of Interest Code

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 California Code of Regulations Section 18730) that contains the terms of a standard conflict of interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference.

Individuals holding designated positions shall timely file their statements of economic interests (Form 700) with the ACERA Chief Counsel or his or her designee (475 14th Street, Suite 1000, Oakland, CA 94612) who shall serve as the Filing Officer for ACERA. Filings may be made through DocuSign. All statements will be retained by ACERA and are available for public inspection and reproduction. Individuals holding positions listed on the Appendix to this Conflict of Interest Code shall timely file their statements of economic interests (Form 700) using the Fair Political Practices Commission's electronic filing system.

Designated Positions and Disclosure Categories

Category 1: These ACERA positions must disclose all financial interests called for in the Form 700:

Investment Operations Officer	Chief Counsel
Investment Officer	Associate Counsel
Assistant Chief Executive Officer	Senior Investment Officer

Category 2: These ACERA positions must disclose the financial interests called for in the Form 700, but only to the extent it is reasonably foreseeable that an ACERA decision might impact such financial interests (for example, a financial interest in a business that currently provides, or may in the future, provide goods or services to ACERA).

Fiscal Services Officer	Chief of Internal Audit
Retirement Benefits Manager	Communications Manager
Chief Technology Officer	Human Resources Officer
Cybersecurity Analyst	

New Positions and Consultants: Consultants and newly created positions that make or participate in the making of ACERA decisions that may foreseeably have a material effect on any financial interest must disclose all financial interests called for in the Form 700 (Category 1). The Chief Executive Officer may set disclosure requirements that are tailored to positions with a limited range of duties pursuant to 2 CCR § 18734. Any such limited disclosure requirements determined by the CEO shall be in writing and are public records.

Conflict of Interest Code Appendix: Agency Positions that Manage Public Investments for Purposes of Section 87200 of the Government Code

Trustee

Chief Executive Officer

Chief Investment Officer

GOV'T CODE § 1090

Gov't Code § 1090 is based on the same fundamental principles as the conflict-of-interest provisions in the Political Reform Act, but the two laws differ in several important ways:

- Some Gov't Code § 1090 violations may not violate the Political Reform Act
- Some Political Reform Act violations may not violate Gov't Code § 1090
- Gov't Code § 1090 applies only to "contracts"
- Gov't Code § 1090 sometimes absolutely prohibits the contract, even with recusal
- A violation of Gov't Code § 1090 can be prosecuted as a felony

Section 1090 provides that public officials "shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members." A public official also may not aid or abet another in violating section 1090.

Although section 1090 applies only to "contracts," courts interpret "contract" broadly. The contract need not be in writing or comport with technical requirements that may apply for a contract to be binding in some circumstances. Courts "disregard the technical relationship of the parties and look behind the veil which enshrouds their activities in order to discern the vital facts. However devious and winding the trail may be which connects the officer with the forbidden contract, if it can be followed and the connection made, a conflict of interest is established." *People v. Honig* (1996) 48 Cal.App.4th 289, 315.

Gov't Code § 1090 starts with a broad prohibition of any financial interest. If an exception does not apply, the Board cannot enter into the contract, even if the interested trustee does not vote. Then, Gov't Code § 1091 establishes "remote interest" exceptions and Gov't Code § 1091.5 establishes "non-interest" exceptions.

"Remote Interests": ACERA can enter into the contract, but only if the trustee discloses the interest, recuses from making of the contract, and the Board authorizes the contract without the vote of the interested trustee. There are many "remote interest" exceptions, but most will never apply to ACERA trustees. See Gov't Code § 1091 (attached).

"Non-Interests": The trustee does not need to recuse, although in some cases the trustee must publicly disclose the "non-interest." There are numerous "non-interest" exceptions, but only a few are likely to apply to ACERA trustees. See Gov't Code § 1091.5 (attached).

PENALTIES

Potential penalties for violations of the Political Reform Act and/or Gov't Code § 1090:

- Forfeiture of financial gain
- Attorneys' fees to party that established the violation
- Administrative fines of up to \$5,000 fine per violation

- Civil/Criminal fines of up to the greater of \$10,000 or three times amount involved
- Disqualification from elective office
- Up to misdemeanor for Political Reform Act violations
- Up to felony for willful Gov't Code § 1090 violations

The most severe penalties are for willful violations, but less severe penalties can apply even when the trustee operated in good faith. The law assumes that a financial interest influenced the decision.

EXAMPLES

Agreement Between ACERA and Participating Employer

A trustee who is an employee of that participating employer (e.g., the County) may participate, so long as the employer has not promised the trustees special treatment for voting or influencing the vote in a particular way. Gov't Code § 1091.5(a)(9); 2 CCR § 18702.3(d) and § 18703(e)(7). This is true even if the agreement results in increased benefits for the trustee, so long as the trustee receives the same benefits as significant segment of other employees. Gov't Code § 1091.5(a)(3); *Lexin v. Superior Court* (2010) 47 Cal.4th 1050.

Agreement Between ACERA and a Trustee's Employing Department

A trustee employed by the department must identify the employment relationship and fully recuse from the process. Gov't Code § 1091(b)(13); Gov't Code § 1091.5(a)(9).

Trustee is One of 50 Overpaid ACERA Retirees Subject to a Correction Process

The trustee who received overpayments should not participate in the decision about how to correct the error. If ACERA had made the overpayments to a larger portion of ACERA retirees, the trustee might be able to participate, but 50 members is likely too small of a group to allow the trustee's participation. 2 CCR § 18702.5(b)(1) and § 18703.

Setting Employer and Employee Contributions

Active employee trustees may participate in setting employer contributions, even though the decision will effect the finances of their employers. 2 CCR § 18702.3(d) and § 18703 (e)(7). They also may participate in setting employee contributions, even though the decision will effect their personal finances. 2 CCR § 18702.5(b)(1).

Same Manager of Trustees' Investment and Potential ACERA Investment

In most cases, it will not be reasonably foreseeable that adding money to one investment fund will result in greater returns for a different investment fund, even if the funds have the same manager. 2 CCR § 18701. Further, if the trustee's financial interest is in mutual funds, ETFs and other similar diversified investment vehicles, such investments usually do not cause violations of conflict-of-interest laws. Gov't Code § 82034; 2 CCR §18237. Trustees are encouraged to seek legal counsel, however, out of an abundance of caution.

Trustee or Spouse Invested in Same Investment Fund in Which ACERA May Invest

Seek legal counsel. This may or may not be a conflict of interest, depending on circumstances. Gov't Code § 82034; 2 CCR §§ 18237, 18701 and 18702.1.

Trustee or Spouse Invested in Potential ACERA Vendor

Seek legal counsel. This may or may not be a conflict of interest, depending on circumstances. 2 CCR §§ 18701 and 18702.1; 1091.5 (a)(1).

Trustee or Spouse is Employee, Officer or on Board of Potential ACERA Vendor

Seek legal counsel. This may or may not be a conflict of interest, depending on circumstances. Gov't Code § 87103(d); 2 CCR §§ 18701, 18702.1; Gov't Code § 1090.

Trustee and ACERA Managed Fund Hold Stock in Same Publicly-Traded Company

This is not a conflict of interest, because it is not reasonably foreseeable that the selection of the fund will result in an investment in a particular stock or that such investment will increase the value of that stock. 2 CCR § 18701.

Trustee or Spouse Applies for Disability Retirement

A trustee must recuse from any decision that uniquely effects the benefits of the trustee or the trustee's immediate family. 2 CCR § 18702.5.

Trustee's Work Colleague Applies for Disability Retirement

This is not a conflict of interest under the Political Reform Act and there is no "contract" involved under Gov't Code § 1090. If a trustee cannot impartially analyze an application, as a good fiduciary the trustee should not vote on the application, but recusal is not required under the conflict of interest rules.



STATE OF CALIFORNIA
AUTHENTICATED
ELECTRONIC LEGAL MATERIAL

State of California

GOVERNMENT CODE

Section 87100

87100. No public official at any level of state or local government shall make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.

(Added June 4, 1974, by initiative Proposition 9.)

State of California

GOVERNMENT CODE

Section 87103

87103. A public official has a financial interest in a decision within the meaning of Section 87100 if it is reasonably foreseeable that the decision will have a material financial effect, distinguishable from its effect on the public generally, on the official, a member of his or her immediate family, or on any of the following:

(a) Any business entity in which the public official has a direct or indirect investment worth two thousand dollars (\$2,000) or more.

(b) Any real property in which the public official has a direct or indirect interest worth two thousand dollars (\$2,000) or more.

(c) Any source of income, except gifts or loans by a commercial lending institution made in the regular course of business on terms available to the public without regard to official status, aggregating five hundred dollars (\$500) or more in value provided or promised to, received by, the public official within 12 months prior to the time when the decision is made.

(d) Any business entity in which the public official is a director, officer, partner, trustee, employee, or holds any position of management.

(e) Any donor of, or any intermediary or agent for a donor of, a gift or gifts aggregating two hundred fifty dollars (\$250) or more in value provided to, received by, or promised to the public official within 12 months prior to the time when the decision is made. The amount of the value of gifts specified by this subdivision shall be adjusted biennially by the commission to equal the same amount determined by the commission pursuant to subdivision (f) of Section 89503.

For purposes of this section, indirect investment or interest means any investment or interest owned by the spouse or dependent child of a public official, by an agent on behalf of a public official, or by a business entity or trust in which the official, the official's agents, spouse, and dependent children own directly, indirectly, or beneficially a 10-percent interest or greater.

(Amended by Stats. 2000, Ch. 130, Sec. 7. Effective January 1, 2001. Note: This section was added on June 4, 1974, by initiative Prop. 9.)



State of California

GOVERNMENT CODE

Section 87105

87105. (a) A public official who holds an office specified in Section 87200 who has a financial interest in a decision within the meaning of Section 87100 shall, upon identifying a conflict of interest or a potential conflict of interest and immediately prior to the consideration of the matter, do all of the following:

(1) Publicly identify the financial interest that gives rise to the conflict of interest or potential conflict of interest in detail sufficient to be understood by the public, except that disclosure of the exact street address of a residence is not required.

(2) Recuse himself or herself from discussing and voting on the matter, or otherwise acting in violation of Section 87100.

(3) Leave the room until after the discussion, vote, and any other disposition of the matter is concluded, unless the matter has been placed on the portion of the agenda reserved for uncontested matters.

(4) Notwithstanding paragraph (3), a public official described in subdivision (a) may speak on the issue during the time that the general public speaks on the issue.

(b) This section does not apply to Members of the Legislature.

(Added by Stats. 2002, Ch. 233, Sec. 1. Effective January 1, 2003.)

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

§ 18701. Determining Whether a Financial Effect Is Reasonably Foreseeable.

(a) Financial Interest Explicitly Involved: A financial effect on a financial interest is presumed to be reasonably foreseeable if the financial interest is a named party in, or the subject of, a governmental decision before the official or the official's agency. A financial interest is the subject of a proceeding if the decision involves the issuance, renewal, approval, denial or revocation of any license, permit, or other entitlement to, or contract with, the financial interest, and includes any governmental decision affecting a real property financial interest as described in Regulation 18702.2(a)(1)-(6).

(b) Financial Interest Not Explicitly Involved in Decision: A financial effect need not be likely to be considered reasonably foreseeable. In general, if the financial effect can be recognized as a realistic possibility and more than hypothetical or theoretical, it is reasonably foreseeable. If the financial result cannot be expected absent extraordinary circumstances not subject to the public official's control, it is not reasonably foreseeable. In determining whether a governmental decision will have a reasonably foreseeable financial effect on a financial interest other than an interest described in subdivision (a), the following factors should be considered. These factors are not intended to be an exclusive list of all the relevant facts that may be considered in determining whether a financial effect is reasonably foreseeable, but are included as general guidelines.

(1) The extent to which the occurrence of the financial effect is contingent upon intervening events, not including future governmental decisions by the official's agency, or any other agency appointed by or subject to the budgetary control of the official's agency.

(2) Whether the public official should anticipate a financial effect on his or her financial interest as a potential outcome under normal circumstances when using appropriate due diligence and care.

(3) Whether the public official has a financial interest that is of the type that would typically be affected by the terms of the governmental decision or whether the governmental decision is of the type that would be expected to have a financial effect on businesses and individuals similarly situated to those businesses and individuals in which the public official has a financial interest.

(4) Whether a reasonable inference can be made that the financial effects of the governmental decision on the public official's financial interest might compromise a public official's ability to act in a manner consistent with his or her duty to act in the best interests of the public.

(5) Whether the governmental decision will provide or deny an opportunity, or create an advantage or disadvantage for one of the official's financial interests, including whether the financial interest may be entitled to compete or be eligible for a benefit resulting from the decision.

(6) Whether the public official has the type of financial interest that would cause a similarly situated person to weigh the advantages and disadvantages of the governmental decision on his or her financial interest in formulating a position.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

§ 18702.1. Materiality Standard: Financial Interest in a Business Entity.

(a) The reasonably foreseeable financial effect of a governmental decision on an official's financial interest in a business entity is material if any of the following criteria are met:

(1) Explicitly Involved. The entity is a named party in, or the subject of, the decision, including any decision in which the entity:

(A) Initiates the proceeding by filing an application, claim, appeal, or other request for action concerning the entity with the official's agency;

(B) Offers to sell a product or service to the agency;

(C) Bids on, or enters into, a contract with the agency, or is identified as a subcontractor on a bid or contract with the agency;

(D) Is the named or intended manufacturer or vendor of any products to be purchased by the agency with an aggregate cost of \$1,000 or more in any 12-month period;

(E) Applies for a permit, license, grant, tax credit, exception, variance, or other entitlement from the agency;

(F) Is the subject of any inspection, action, or proceeding under the regulatory authority of the agency; or

(G) Is subject to an action taken by the agency that is directed at the entity.

(2) Gross Revenues and Assets or Liabilities. The decision may result in an increase or decrease of the entity's annual gross revenues, or the value of the entity's assets or liabilities, in an amount equal to or more than:

(A) \$1,000,000; or

(B) Five percent of the entity's annual gross revenues and the increase or decrease is at least \$10,000.

(3) Expenses. The decision may cause the entity to incur or avoid additional expenses or to reduce or eliminate expenses in an amount equal to or more than:

(A) \$250,000; or

(B) One percent of the entity's annual gross revenues and the change in expenses is at least \$2,500.

(4) Real Property. The official knows or has reason to know that the entity has an interest in real property and:

(A) The property is a named party in, or the subject of, the decision under Regulations 18701(a) and 18702.2(a)(1) through (6); or

(B) There is clear and convincing evidence the decision would have a substantial effect on the property.

(b) Exception: Small Shareholder. If the official's only interest in the entity is an investment interest with a value of \$25,000 or less, and if that investment interest is less than one percent of the entity's shares, the decision's effect on the official's investment interest in the entity is only material under subdivisions (a)(2)-(3) or (a)(4)(B) of this regulation.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.

Regulations of the Fair Political Practice Commission, Title 2, Division 6, California Code of Regulations)

§ 18702.2. Materiality Standard: Financial Interest in Real Property.

(a) The reasonably foreseeable financial effect of a governmental decision on a parcel of real property in which an official has a financial interest, other than a leasehold interest, is material whenever the governmental decision:

(1) Involves the adoption of or amendment to a development plan or criteria applying to the parcel;

(2) Determines the parcel's zoning or rezoning, other than a zoning decision applicable to all properties designated in that category; annexation or de-annexation; inclusion in or exclusion from any city, county, district, or local government subdivision or other boundaries, other than elective district boundaries;

(3) Would impose, repeal, or modify any taxes, fees, or assessments that apply to the parcel;

(4) Authorizes the sale, purchase, or lease of the parcel;

(5) Involves the issuance, denial or revocation of a license, permit or other land use entitlement authorizing a specific use of or improvement to the parcel or any variance that changes the permitted use of, or restrictions placed on, the property;

(6) Involves construction of, or improvements to, streets, water, sewer, storm drainage or similar facilities, and the parcel will receive new or improved services that provide a benefit or detriment disproportionate to other properties receiving the services;

(7) Involves property located 500 feet or less from the property line of the parcel unless there is clear and convincing evidence that the decision will not have any measurable impact on the official's property; or

(8) Involves property located more than 500 feet but less than 1,000 feet from the property line of the parcel, and the decision would change the parcel's:

(A) Development potential;

(B) Income producing potential;

(C) Highest and best use;

(D) Character by substantially altering traffic levels, intensity of use, parking, view, privacy, noise levels, or air quality; or

(E) Market value.

(b) The financial effect of a governmental decision on a parcel of real property in which an official has a financial interest involving property 1,000 feet or more from the property line of the official's property is presumed not to be material. This presumption may be rebutted with clear and convincing evidence the governmental decision would have a substantial effect on the official's property.

(c) Leasehold Interests. The reasonably foreseeable financial effects of a governmental decision on any real property in which a governmental official has a leasehold interest as the lessee of the property is material only if the governmental decision will:

(1) Change the termination date of the lease;

(2) Increase or decrease the potential rental value of the property;

(3) Change the official's actual or legally allowable use of the property; or

(4) Impact the official's use and enjoyment of the property.

(d) Exceptions. The financial effect of a governmental decision on a parcel of real property in which an official has a financial interest is not material if:

(1) The decision solely concerns repairs, replacement or maintenance of existing streets, water, sewer, storm drainage or similar facilities.

(2) The decision solely concerns the adoption or amendment of a general plan and all of the following apply:

(A) The decision only identifies planning objectives or is otherwise exclusively one of policy. A decision will not qualify under this subdivision if the decision is initiated by the public official, by a person that is a financial interest to the public official, or by a person representing either the public official or a financial interest to the public official.

(B) The decision requires a further decision or decisions by the public official's agency before implementing the planning or policy objectives, such as permitting, licensing, rezoning, or the approval of or change to a zoning variance, land use ordinance, or specific plan or its equivalent.

(C) The decision does not concern an identifiable parcel or parcels or development project. A decision does not "concern an identifiable parcel or parcels" solely because, in the proceeding before the agency in which the decision is made, the parcel or parcels are merely included in an area depicted on a map or diagram offered in connection with the decision, provided that the map or diagram depicts all parcels located within the agency's jurisdiction and economic interests of the official are not singled out.

(D) The decision does not concern the agency's prior, concurrent, or subsequent approval of, or change to, a permit, license, zoning designation, zoning variance, land use ordinance, or specific plan or its equivalent.

(e) Definitions. The definitions below apply to this regulation:

(1) A decision “solely concerns the adoption or amendment of a general plan” when the decision, in the manner described in Sections 65301 and 65301.5, grants approval of, substitutes for, or modifies any component of, a general plan, including elements, a statement of development policies, maps, diagrams, and texts, or any other component setting forth objectives, principles, standards, and plan proposals, as described in Sections 65302 and 65303.

(2) “General plan” means “general plan” as used in Sections 65300, et seq.

(3) “Specific plan” or its equivalent means a plan adopted by the jurisdiction to meet the purposes described in Sections 65450, et seq.

(4) Real property in which an official has a financial interest does not include any common area as part of the official's ownership interest in a common interest development as defined in the Davis-Stirling Common Interest Development Act (Civil Code Sections 4000 et seq.)

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations)

§ 18702.3. Materiality Standard: Financial Interest in a Source of Income.

(a) The reasonably foreseeable financial effect of a governmental decision on an official's financial interest in a source of income is material if any of the following criteria are met:

(1) The source is a named party in, or the subject of, the decision including a claimant, applicant, respondent, or contracting party.

(2) The source is an individual and:

(A) The decision may affect the individual's income, investments, or other assets or liabilities (other than an interest in a business entity or real property) by \$1,000 or more; or

(B) The official knows or has reason to know that the individual has an interest in a business entity that will be financially affected under the materiality standards in Regulation 18702.1; or

(C) The official knows or has reason to know that the individual has an interest in real property and:

(i) The property is a named party in, or the subject of, the decision as defined in Regulations 18701(a) and 18702.2(a)(1) through (6); or

(ii) There is clear and convincing evidence the decision would have a substantial effect on the property.

(3) The source is a nonprofit organization and one of the following applies:

(A) The decision may result in an increase or decrease of the organization's annual gross receipts, or the value of the organization's assets or liabilities, in an amount equal to or more than:

(i) \$1,000,000; or

(ii) Five percent of the organization's annual gross receipts and the increase or decrease is equal to or greater than \$10,000.

(B) The decision may cause the organization to incur or avoid additional expenses or to reduce or eliminate expenses in an amount equal to or more than:

(i) \$250,000; or

(ii) One percent of the organization's annual gross receipts and the change in expenses is equal to or greater than \$2,500.

(C) The official knows or has reason to know that the organization has an interest in real property and:

(i) The property is a named party in, or the subject of, the decision under Regulations 18701(a) and 18702.2(a)(1) through (6); or

(ii) There is clear and convincing evidence the decision would have a substantial effect on the property.

(4) The source is a business entity that will be financially affected under the materiality standards in Regulation 18702.1.

(b) Nexus. Any reasonably foreseeable financial effect on a source of income to a public official or the official's spouse is material if the decision will achieve, defeat, aid, or hinder a purpose or goal of the source and the official or the official's spouse receives or is promised the income for achieving the purpose or goal.

(c) Exception: Income from Retail Sales of a Business Entity. For purposes of applying Section 87103.5:

(1) The retail customers of a business entity constitute a significant segment of the public generally if the business is open to the public, and provides goods or services to customers that comprise a broad base of persons representative of the jurisdiction.

(2) Income from an individual customer is not distinguishable from the amount of income received from other customers when the official is unable to recognize a significant monetary difference between the business provided by the individual customer and the general clientele of the business. An official is unable to recognize a significant monetary difference when:

(A) The business is of the type that sales to any one customer will not have a significant impact on the business's annual net sales; or

(B) The business has no records that distinguish customers by amount of sales, and the official has no other information that the customer provides significantly more income to the business than an average customer.

(d) Government Entities. Where a government entity qualifies as a source of income as defined in Section 82030, including where a public official is paid by the entity as a consultant or contractor, this Regulation does not apply. Under Regulation 18703(e)(7), an official with an interest in a governmental entity is disqualified from taking part in a decision only if there is a unique effect on the official.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

§ 18702.4. Materiality Standard: Financial Interest in Source of Gift.

The financial effect of a governmental decision on the source of a gift to a public official, as identified in Section 87103(e), is material if:

(a) The source is a claimant, applicant, respondent, contracting party, or is otherwise named or identified as the subject of the proceeding; or

(b) The source is an individual that will be financially affected under the standards applied to an official in Regulation 18702.5, or the official knows or has reason to know that the individual has an interest in a business entity or real property that will be financially affected under the standards applied to a financial interest in Regulation 18702.1 or 18702.2, respectively; or

(c) The source is a nonprofit organization that will be financially affected under the materiality standards applied to a nonprofit source of income interest in Regulation 18702.3; or

(d) The source is a business entity that will be financially affected under the standards as applied to a financial interest in Regulation 18702.1.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

§ 18702.5. Materiality Standard: Financial Interest in an Official's Personal Finances.

(a) A governmental decision's reasonably foreseeable financial effect on a public official's financial interest in his or her personal finances or those of immediate family, also referred to as a "personal financial effect," is material if the decision may result in the official or the official's immediate family member receiving a financial benefit or loss of \$500 or more in any 12-month period due to the decision.

(b) Notwithstanding subdivision (a), a personal financial effect is not material if the decision would:

(1) Affect only the salary, per diem, or reimbursement for expenses the public official or a member of his or her immediate family receives from a federal, state, or local government agency unless the decision is to appoint (other than an appointing decision permitted under subdivision (b)(2) and (3)), hire, fire, promote, demote, suspend without pay or otherwise take disciplinary action with financial sanction against the official or a member of his or her immediate family, or to set a salary for the official or a member of his or her immediate family which is different from salaries paid to other employees of the government agency in the same job classification or position, or when the member of the public official's immediate family member is the only person in the job classification or position.

(2) Appoint the official to be a member of any group or body created by law or formed by the official's agency for a special purpose. However, if the official will receive a stipend for attending meetings of the group or body aggregating \$500 or more in any 12-month period, the

effect on the official's personal finances is material unless the appointing body posts all of the following on its website:

(A) A list of each appointed position and its term.

(B) The amount of the stipend for each appointed position.

(C) The name of the official who has been appointed to the position.

(D) The name of any official who has been appointed to be an alternate for the position.

(3) Appoint the official to be an officer of the governing body of which the official is already a member, such as a decision to appoint a city councilmember to be the city's mayor.

(4) Establish or change the benefits or retirement plan of the official or the official's immediate family member, and the decision applies equally to all employees or retirees in the same bargaining unit or other representative group.

(5) Result in the payment of any travel expenses incurred by the official or the official's immediate family member while attending a meeting as an authorized representative of an agency.

(6) Permit the official's use of any government property, including automobiles or other modes of transportation, mobile communication devices, or other agency-provided equipment for carrying out the official's duties, including any nominal, incidental, negligible, or inconsequential personal use while on duty.

(7) Result in the official's receipt of any personal reward from the official's use of a personal charge card or participation in any other membership rewards program, so long as the reward is associated with the official's approved travel expenses and is no different from the reward offered to the public.

(c) If the decision would have a reasonably foreseeable financial effect on the official's financial interest in a business entity or real property, any related effect on the official's personal finances is not considered separately. The financial effect on the business entity or real property is analyzed only under the respective materiality standards in Regulations 18702.1 and 18702.2. Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.

(Regulations of the Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations.)

§ 18703. Public Generally.

(a) General Rule. A governmental decision's financial effect on a public official's financial interest is indistinguishable from its effect on the public generally if the official establishes that a significant segment of the public is affected and the effect on his or her financial interest is not unique compared to the effect on the significant segment.

(b) A significant segment of the public is at least 25 percent of:

(1) All businesses or non-profit entities within the official's jurisdiction;

(2) All real property, commercial real property, or residential real property within the official's jurisdiction; or

(3) All individuals within the official's jurisdiction.

(c) A unique effect on a public official's financial interest includes a disproportionate effect on:

(1) The development potential or use of the official's real property or on the income producing potential of the official's real property or business entity.

(2) An official's business entity or real property resulting from the proximity of a project that is the subject of a decision.

(3) An official's interests in business entities or real properties resulting from the cumulative effect of the official's multiple interests in similar entities or properties that is substantially greater than the effect on a single interest.

(4) An official's interest in a business entity or real property resulting from the official's substantially greater business volume or larger real property size when a decision affects all interests by the same or similar rate or percentage.

(5) A person's income, investments, assets or liabilities, or real property if the person is a source of income or gifts to the official.

(6) An official's personal finances or those of his or her immediate family.

(d) "Jurisdiction" means the jurisdiction of the state or local government agency as defined in Section 82035, or the designated geographical area the official was elected to represent, or the area to which the official's authority and duties are limited if not elected.

(e) Specific Rules for Special Circumstances. The financial effect on a public official's financial interest is deemed indistinguishable from that of the public generally if the official establishes:

(1) Public Services and Utilities. The decision establishes or adjusts assessments, taxes, fees, or rates for water, utility, or other broadly provided public services or facilities that are applied equally, proportionally, or by the same percentage to the official's interest and other businesses, properties, or individuals subject to the assessment, tax, fee, or rate.

(2) General Use or Licensing Fees. The decision affects the official's personal finances as a result of an increase or decrease to a general fee or charge, such as parking rates, permits, license fees, application fees, or any general fee that applies to the entire jurisdiction.

(3) Limited Neighborhood Effects. The decision affects residential real property limited to a specific location, and the decision establishes, amends, or eliminates ordinances that restrict on-street parking, impose traffic controls, deter vagrancy, reduce nuisance or improve public

safety, provided the body making the decision gathers sufficient evidence to support the need for the action at the specific location.

(4) Rental Properties. The decision affects all renters of residential property within the official's jurisdiction and only interests resulting from the official's leasehold interest in his or her residence are affected.

(5) Required Representative Interest. The decision is made by a board or commission and the law that establishes the board or commission requires certain appointees have a representative interest in a particular industry, trade, or profession or other identified interest, and the public official is an appointed member representing that interest. This provision applies only if the effect is on the industry, trade, or profession or other identified interest represented and there is no unique effect on the official's interest.

(6) State of Emergency. The decision is made pursuant to an official proclamation of a state of emergency when required to mitigate against the effects directly arising out of the emergency and there is no unique effect on the official's interest.

(7) Governmental Entities. The decision affects a federal, state, or local governmental entity in which the official has an interest and there is no unique effect on the official's interest.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 87100, 87102.5, 87102.6, 87102.8 and 87103, Government Code.



State of California

GOVERNMENT CODE

Section 1090

1090. (a) Members of the Legislature, state, county, district, judicial district, and city officers or employees shall not be financially interested in any contract made by them in their official capacity, or by any body or board of which they are members. Nor shall state, county, district, judicial district, and city officers or employees be purchasers at any sale or vendors at any purchase made by them in their official capacity.

(b) An individual shall not aid or abet a Member of the Legislature or a state, county, district, judicial district, or city officer or employee in violating subdivision (a).

(c) As used in this article, "district" means any agency of the state formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries.

(Amended by Stats. 2014, Ch. 483, Sec. 1. (SB 952) Effective January 1, 2015.)

State of California

GOVERNMENT CODE

Section 1091

1091. (a) An officer shall not be deemed to be interested in a contract entered into by a body or board of which the officer is a member within the meaning of this article if the officer has only a remote interest in the contract and if the fact of that interest is disclosed to the body or board of which the officer is a member and noted in its official records, and thereafter the body or board authorizes, approves, or ratifies the contract in good faith by a vote of its membership sufficient for the purpose without counting the vote or votes of the officer or member with the remote interest.

(b) As used in this article, "remote interest" means any of the following:

(1) That of an officer or employee of a nonprofit entity exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Sec. 501(c)(3)), pursuant to Section 501(c)(5) of the Internal Revenue Code (26 U.S.C. Sec. 501(c)(5)), or a nonprofit corporation, except as provided in paragraph (8) of subdivision (a) of Section 1091.5.

(2) That of an employee or agent of the contracting party, if the contracting party has 10 or more other employees and if the officer was an employee or agent of that contracting party for at least three years prior to the officer initially accepting his or her office and the officer owns less than 3 percent of the shares of stock of the contracting party; and the employee or agent is not an officer or director of the contracting party and did not directly participate in formulating the bid of the contracting party.

For purposes of this paragraph, time of employment with the contracting party by the officer shall be counted in computing the three-year period specified in this paragraph even though the contracting party has been converted from one form of business organization to a different form of business organization within three years of the initial taking of office by the officer. Time of employment in that case shall be counted only if, after the transfer or change in organization, the real or ultimate ownership of the contracting party is the same or substantially similar to that which existed before the transfer or change in organization. For purposes of this paragraph, stockholders, bondholders, partners, or other persons holding an interest in the contracting party are regarded as having the "real or ultimate ownership" of the contracting party.

(3) That of an employee or agent of the contracting party, if all of the following conditions are met:

(A) The agency of which the person is an officer is a local public agency located in a county with a population of less than 4,000,000.

(B) The contract is competitively bid and is not for personal services.

(C) The employee or agent is not in a primary management capacity with the contracting party, is not an officer or director of the contracting party, and holds no ownership interest in the contracting party.

(D) The contracting party has 10 or more other employees.

(E) The employee or agent did not directly participate in formulating the bid of the contracting party.

(F) The contracting party is the lowest responsible bidder.

(4) That of a parent in the earnings of his or her minor child for personal services.

(5) That of a landlord or tenant of the contracting party.

(6) That of an attorney of the contracting party or that of an owner, officer, employee, or agent of a firm that renders, or has rendered, service to the contracting party in the capacity of stockbroker, insurance agent, insurance broker, real estate agent, or real estate broker, if these individuals have not received and will not receive remuneration, consideration, or a commission as a result of the contract and if these individuals have an ownership interest of 10 percent or more in the law practice or firm, stock brokerage firm, insurance firm, or real estate firm.

(7) That of a member of a nonprofit corporation formed under the Food and Agricultural Code or a nonprofit corporation formed under the Corporations Code for the sole purpose of engaging in the merchandising of agricultural products or the supplying of water.

(8) That of a supplier of goods or services when those goods or services have been supplied to the contracting party by the officer for at least five years prior to his or her election or appointment to office.

(9) That of a person subject to the provisions of Section 1090 in any contract or agreement entered into pursuant to the provisions of the California Land Conservation Act of 1965.

(10) Except as provided in subdivision (b) of Section 1091.5, that of a director of, or a person having an ownership interest of, 10 percent or more in a bank, bank holding company, or savings and loan association with which a party to the contract has a relationship of borrower or depositor, debtor or creditor.

(11) That of an engineer, geologist, architect, or planner employed by a consulting engineering, architectural, or planning firm. This paragraph applies only to an employee of a consulting firm who does not serve in a primary management capacity, and does not apply to an officer or director of a consulting firm.

(12) That of an elected officer otherwise subject to Section 1090, in any housing assistance payment contract entered into pursuant to Section 8 of the United States Housing Act of 1937 (42 U.S.C. Sec. 1437f) as amended, provided that the housing assistance payment contract was in existence before Section 1090 became applicable to the officer and will be renewed or extended only as to the existing tenant, or, in a jurisdiction in which the rental vacancy rate is less than 5 percent, as to new tenants in a unit previously under a Section 8 contract. This section applies to any person who became a public official on or after November 1, 1986.

(13) That of a person receiving salary, per diem, or reimbursement for expenses from a government entity.

(14) That of a person owning less than 3 percent of the shares of a contracting party that is a for-profit corporation, provided that the ownership of the shares derived from the person's employment with that corporation.

(15) That of a party to litigation involving the body or board of which the officer is a member in connection with an agreement in which all of the following apply:

(A) The agreement is entered into as part of a settlement of litigation in which the body or board is represented by legal counsel.

(B) After a review of the merits of the agreement and other relevant facts and circumstances, a court of competent jurisdiction finds that the agreement serves the public interest.

(C) The interested member has recused himself or herself from all participation, direct or indirect, in the making of the agreement on behalf of the body or board.

(16) That of a person who is an officer or employee of an investor-owned utility that is regulated by the Public Utilities Commission with respect to a contract between the investor-owned utility and a state, county, district, judicial district, or city body or board of which the person is a member, if the contract requires the investor-owned utility to provide energy efficiency rebates or other type of program to encourage energy efficiency that benefits the public when all of the following apply:

(A) The contract is funded by utility consumers pursuant to regulations of the Public Utilities Commission.

(B) The contract provides no individual benefit to the person that is not also provided to the public, and the investor-owned utility receives no direct financial profit from the contract.

(C) The person has recused himself or herself from all participation in making the contract on behalf of the state, county, district, judicial district, or city body or board of which he or she is a member.

(D) The contract implements a program authorized by the Public Utilities Commission.

(17) That of an owner or partner of a firm serving as an appointed member of an unelected board or commission of the contracting agency if the owner or partner recuses himself or herself from providing any advice to the contracting agency regarding the contract between the firm and the contracting agency and from all participation in reviewing a project that results from that contract.

(c) This section is not applicable to any officer interested in a contract who influences or attempts to influence another member of the body or board of which he or she is a member to enter into the contract.

(d) The willful failure of an officer to disclose the fact of his or her interest in a contract pursuant to this section is punishable as provided in Section 1097. That violation does not void the contract unless the contracting party had knowledge of the fact of the remote interest of the officer at the time the contract was executed.

(Amended by Stats. 2015, Ch. 495, Sec. 1. (SB 704) Effective January 1, 2016.)

State of California

GOVERNMENT CODE

Section 1091.5

1091.5. (a) An officer or employee shall not be deemed to be interested in a contract if his or her interest is any of the following:

(1) The ownership of less than 3 percent of the shares of a corporation for profit, provided that the total annual income to him or her from dividends, including the value of stock dividends, from the corporation does not exceed 5 percent of his or her total annual income, and any other payments made to him or her by the corporation do not exceed 5 percent of his or her total annual income.

(2) That of an officer in being reimbursed for his or her actual and necessary expenses incurred in the performance of official duties.

(3) That of a recipient of public services generally provided by the public body or board of which he or she is a member, on the same terms and conditions as if he or she were not a member of the body or board.

(4) That of a landlord or tenant of the contracting party if the contracting party is the federal government or any federal department or agency, this state or an adjoining state, any department or agency of this state or an adjoining state, any county or city of this state or an adjoining state, or any public corporation or special, judicial, or other public district of this state or an adjoining state unless the subject matter of the contract is the property in which the officer or employee has the interest as landlord or tenant in which event his or her interest shall be deemed a remote interest within the meaning of, and subject to, the provisions of Section 1091.

(5) That of a tenant in a public housing authority created pursuant to Part 2 (commencing with Section 34200) of Division 24 of the Health and Safety Code in which he or she serves as a member of the board of commissioners of the authority or of a community development commission created pursuant to Part 1.7 (commencing with Section 34100) of Division 24 of the Health and Safety Code.

(6) That of a spouse of an officer or employee of a public agency in his or her spouse's employment or officeholding if his or her spouse's employment or officeholding has existed for at least one year prior to his or her election or appointment.

(7) That of a nonsalaried member of a nonprofit corporation, provided that this interest is disclosed to the body or board at the time of the first consideration of the contract, and provided further that this interest is noted in its official records.

(8) That of a noncompensated officer of a nonprofit, tax-exempt corporation, which, as one of its primary purposes, supports the functions of the body or board or to which the body or board has a legal obligation to give particular consideration, and provided further that this interest is noted in its official records.

For purposes of this paragraph, an officer is “noncompensated” even though he or she receives reimbursement from the nonprofit, tax-exempt corporation for necessary travel and other actual expenses incurred in performing the duties of his or her office.

(9) That of a person receiving salary, per diem, or reimbursement for expenses from a government entity, unless the contract directly involves the department of the government entity that employs the officer or employee, provided that the interest is disclosed to the body or board at the time of consideration of the contract, and provided further that the interest is noted in its official record.

(10) That of an attorney of the contracting party or that of an owner, officer, employee, or agent of a firm which renders, or has rendered, service to the contracting party in the capacity of stockbroker, insurance agent, insurance broker, real estate agent, or real estate broker, if these individuals have not received and will not receive remuneration, consideration, or a commission as a result of the contract and if these individuals have an ownership interest of less than 10 percent in the law practice or firm, stock brokerage firm, insurance firm, or real estate firm.

(11) Except as provided in subdivision (b), that of an officer or employee of, or a person having less than a 10-percent ownership interest in, a bank, bank holding company, or savings and loan association with which a party to the contract has a relationship of borrower, depositor, debtor, or creditor.

(12) That of (A) a bona fide nonprofit, tax-exempt corporation having among its primary purposes the conservation, preservation, or restoration of park and natural lands or historical resources for public benefit, which corporation enters into an agreement with a public agency to provide services related to park and natural lands or historical resources and which services are found by the public agency, prior to entering into the agreement or as part of the agreement, to be necessary to the public interest to plan for, acquire, protect, conserve, improve, or restore park and natural lands or historical resources for public purposes and (B) any officer, director, or employee acting pursuant to the agreement on behalf of the nonprofit corporation. For purposes of this paragraph, “agreement” includes contracts and grants, and “park,” “natural lands,” and “historical resources” shall have the meanings set forth in subdivisions (d), (g), and (i) of Section 5902 of the Public Resources Code. Services to be provided to the public agency may include those studies and related services, acquisitions of property and property interests, and any activities related to those studies and acquisitions necessary for the conservation, preservation, improvement, or restoration of park and natural lands or historical resources.

(13) That of an officer, employee, or member of the Board of Directors of the California Housing Finance Agency with respect to a loan product or programs if the officer, employee, or member participated in the planning, discussions, development, or approval of the loan product or program and both of the following two conditions exist:

(A) The loan product or program is or may be originated by any lender approved by the agency.

(B) The loan product or program is generally available to qualifying borrowers on terms and conditions that are substantially the same for all qualifying borrowers at the time the loan is made.

(14) That of a party to a contract for public services entered into by a special district that requires a person to be a landowner or a representative of a landowner to serve on the board of which the officer or employee is a member, on the same terms and conditions as if he or she were not a member of the body or board. For purposes of this paragraph, "public services" includes the powers and purposes generally provided pursuant to provisions of the Water Code relating to irrigation districts, California water districts, water storage districts, or reclamation districts.

(b) An officer or employee shall not be deemed to be interested in a contract made pursuant to competitive bidding under a procedure established by law if his or her sole interest is that of an officer, director, or employee of a bank or savings and loan association with which a party to the contract has the relationship of borrower or depositor, debtor or creditor.

(Amended by Stats. 2013, Ch. 650, Sec. 1. (AB 1090) Effective January 1, 2014.)