

Life Sciences Discovery Fund Authority
Ethics and Conflicts of Interest Policy
September 15, 2009

Article I. Purpose and Statement of Intent

Section 1.01 This policy applies to the Trustees, Executive Director, and staff of the LSDFA. Trustees are part-time state officials compensated as set forth in RCW 43.350.020(2). Given the statutory responsibility of the LSDFA, the Trustees appointed by the Governor are likely to be, and should be, selected from a group of individuals who are eminent in their professional fields and have demonstrated expertise in life sciences research or related industries. It is inevitable that the Trustees may have personal or professional interests that are related to the work of the LSDFA. Trustees appointed by the Legislature are chosen as a result of their leadership positions on key committees and will have legislative duties related to the LSDFA. To the extent this policy conflicts with rules adopted by the Legislative Ethics Board, the opinions of such board or the advice of legislative ethics counsel, the legislatively appointed Trustees shall be guided by such authorities and opinions and shall not be subject to this policy.

Section 1.02 The Life Sciences Discovery Fund Authority (LSDFA) Board of Trustees is composed of four legislative appointees and seven members appointed by the Governor. The LSDFA is charged with soliciting private donations and making contracts and grants of public and private funds to entities poised to achieve advances in the life sciences. These contracts and grants are to be made on the basis of the quality of the proposed research, the potential to improve health outcomes and knowledge about the life sciences, and the potential for economic development and public and private collaboration, among other factors.

Section 1.03 Public confidence in the LSDFA and its Trustees and employees can best be sustained by providing procedures and policies that ensure impartiality and honesty in all official transactions and decisions. Accordingly, it is the purpose of this policy to ensure that LSDFA Trustees and employees comply with the Washington State Ethics in Public Service Act, RCW 42.52, while maintaining their ability to perform their statutory obligations to the LSDFA.

Section 1.04 This policy addresses issues related to conflicts of interest (RCW 42.52.030 and .040), outside compensation (RCW 42.52.120), employment after public service (RCW 42.52.080) and activities incompatible with public duties (RCW 42.52.020). It does not purport to address other provisions of the Ethics in Public Service Act, i.e., gifts to public employees, honoraria and lobbying activities, which continue to apply in full force to the Trustees.

Article II. Duty to Disclose

Section 2.01 Definitions:

- (1) For purposes of this policy a “person or entity” includes applicants, co-applicants, principal investigators, co-investigators, collaborators or others

who would reasonably be expected to derive financial benefit from the award or contract.

- (2) For purposes of this policy the term “direct or indirect personal or professional interest” includes uncompensated voluntary service as a Trustee, Board member or other leadership role in a person or entity that has applied for a contract or grant or received a contract or grant that is being monitored or supervised by the LSDFA.
- (3) For purposes of this policy, “direct or indirect personal or professional interest” includes interests of the disclosing party’s immediate family members. “Immediate family member” includes spouse or domestic partner, dependent children or other dependent relatives, if living in the household.
- (4) For purposes of this policy, “direct or indirect professional interest” includes past employment agreements and professional affiliations which were terminated less than two years prior to the Board’s consideration of the proposal, grant, or contract at issue.

Section 2.02 When a Trustee or the Executive Director has a direct or indirect personal or professional interest in a person or entity that has submitted a proposal for a contract or grant with the LSDFA or received a grant or contract that is being monitored or supervised by the LSDFA, he or she must promptly disclose the interest to the LSDFA Board of Trustees or any committee or taskforce of the LSDFA with authority to take action on, review, or make a recommendation for a contract or grant.

Section 2.03 When an employee of the LSDFA, other than the Executive Director, has a direct or indirect personal or professional interest in a person or entity that has submitted a proposal for a contract or grant with the LSDFA or received a grant or contract that is being monitored or supervised by the LSDFA, he or she must promptly disclose the interest to the Executive Director.

Section 2.04 In discussions or votes about whether to target a future competition to a specific subject area or group of prospective grantees, a Trustee, the Executive Director, or an employee having a direct or indirect personal or professional interest in a person or entity that would reasonably be expected to be a beneficiary of such competition shall promptly disclose the interest to the LSDFA Board of Trustees.

Section 2.05 In determining whether disclosure is required under this Article, the Trustee, Executive Director, or employee must consider whether, when viewed by a member of the public, the interest could reasonably call into question the impartiality or independent judgment of the disclosing party or of the LSDFA’s decision.

Article III. Conflict of Interest

Section 3.01 After a disclosure has been made pursuant to Article II:

- (1) the non-disclosing Trustees shall determine whether the disclosing Trustee or the Executive Director must recuse him or herself from participating in LSDFA action related to that disclosure;
- (2) the Executive Director or his designee shall determine whether an employee of the LSDFA must recuse him or herself from participating in LSDFA action related to that disclosure.

Section 3.02 The non-disclosing Trustees or the Executive Director (in the case of employees) shall make the determination of whether recusal is required by considering whether the disclosed interest could reasonably appear to impede the impartial or independent judgment of the disclosing party or of the LSDFA's decision.

Section 3.03 Recusal shall be required if the disclosing party or his or her immediate family member has:

- (1) an ownership or investment interest that is not insubstantial in any person or entity that has submitted a proposal for a contract or grant from the LSDFA or has received a grant or contract that is being monitored or supervised by the LSDFA. An ownership interest in a mutual fund or similar investment pooling fund in which the owner has no managerial powers does not automatically require recusal;
- (2) a current compensation arrangement with any person or entity that has submitted a proposal for a contract or grant from the LSDFA or has received a grant or contract that is being monitored or supervised by the LSDFA. Compensation includes direct and indirect remuneration, as well as gifts or favors that are not insubstantial;
- (3) a reasonably foreseeable potential future ownership or investment interest in any person or entity, or a compensation arrangement with, any person or entity that has submitted a proposal for a contract or grant with the LSDFA or has received a grant or contract that is being monitored or supervised by the LSDFA; or
- (4) a significant competitive interest that would be affected by a grant or contract awarded by the LSDFA.

Section 3.04 Recusal shall be required if the disclosing party or his or her immediate family member serves in an uncompensated position such as Director, Trustee, or officer, in an entity which has applied for a contract or grant from the LSDFA or received a grant or contract that is being monitored or supervised by the LSDFA.

Section 3.05 If a decision is made by the non-disclosing Trustees or the Executive Director (in the case of employees), that recusal is required:

- (1) the recused party may continue to use his or her general expertise to educate or provide general information to other LSDFA Trustees, employees, and consultants about the subject at issue;

- (2) the recused party may not participate in discussions or votes about the amount of funds that should be targeted to grants or contracts in specific topics or subject areas which led to recusal;
- (3) the recused party shall not participate in any review, rating, ranking or discussion of specific grant or contract proposals from which he or she is recused;
- (4) the recused party shall not vote on a grant or contract from which he or she has been recused;
- (5) the recused party shall not participate in the administration or monitoring of any grant or contract from which he or she has been recused; and
- (6) the recused party shall not attempt to influence the decision of other Trustees or employees with respect to the grant or contract from which he or she has been recused.

Section 3.06 Notwithstanding a decision by the LSDFA or the Executive Director that recusal is not required, a Trustee, Executive Director, or employee may choose to follow the procedures set forth in Section 3.05 above, and shall announce such choice to the non-disclosing Trustees.

Section 3.07 Under certain circumstances, for example, when a proposal being considered for funding is from a donor to LSDFA, the LSDFA may engage an independent ethics observer to attend the LSDFA meetings at which conflicts disclosures are discussed and applications are considered for funding. The observer shall bring any concerns related to conflicts to the attention of the Trustees during the course of the proceeding in order to allow the Trustees to take appropriate action to resolve the conflict prior to acting on the request for funding.

Article IV. Award Procedures After Recusal

Section 4.02 Where a Trustee or employee has followed the recusal procedure in Article III above, he or she may retain or obtain an interest in a person or entity receiving a grant or contact, provided that:

- (1) the contract or grant was awarded pursuant to the LSDFA grant process and complied with all LSDFA policies and procedures, including review, rating and ranking of grant proposals by independent expert reviewers; and
- (2) the Trustee or employee does not disclose, or act upon for personal purposes, confidential information obtained as a result of his or her position as a Trustee or employee.

Article V. Record of Proceedings

Section 5.01 Due to the confidential nature of information relating to proposals and the LSDFA's grant-making decisions, discussions about potential conflicts of interest may take place during the course of the Executive Session authorized by RCW 42.56.270(14).

Section 5.02 Minutes shall be kept of the conflicts disclosures discussed during the Executive Session and shall include:

- (1) the name of the Trustee who made the disclosure;
- (2) the general nature of the disclosure, including the identity of the entity, individual or subject matter that is the subject of the disclosure; and
- (3) the actions taken to address the disclosed interest, i.e., recusal or decision that the interest did not require recusal.

Section 5.03 If a grant or contract award is discussed during a public meeting and is the subject of a disclosure by a Trustee, the minutes of the public meeting of the LSDFA shall set forth:

- (1) the name of the Trustee who made the disclosure;
- (2) the general nature of the disclosure, including the identity of the entity, individual or subject matter that is the subject of the disclosure; and
- (3) the actions taken to address the disclosed interest, i.e., recusal or decision that the interest did not require recusal.

Article VI. Annual Statements

Section 6.01 Each Trustee and employee of the LSDFA shall annually sign a statement which affirms that he or she:

- (1) has received a copy of the Ethics and Conflicts of Interest Policy;
- (2) has read and understands the policy; and
- (3) has agreed to comply with the policy.

Article VII. Violations of the Conflicts of Interest Policy

Section 7.01 If the LSDFA has reasonable cause to believe a Trustee or employee has failed to comply with this policy, the LSDFA or the Executive Director (in the case of an employee) shall inform the Trustee or employee of the basis for such belief and afford that person an opportunity to explain the alleged non-compliance.

Section 7.02 If, after hearing the response and after making further investigation as warranted by the circumstances, the LSDFA determines that a Trustee or employee has failed to comply with the terms of this policy or the Ethics in Public Service Act, it shall take appropriate remedial, disciplinary or corrective action.

Approved: _____, 2009