Adopt 2 Cal. Code Regs., Section 18702.1 to read:


(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.