

# LION HEAD BEACH ASSOCIATION CONFLICT OF INTEREST POLICY

Adopted June 16, 2018

*This policy applies to all Covered Persons (as defined below) of Lion Head Beach Association (LHBA).*

Each Director, Officer, Committee Member, and Key Person (a person working on behalf of LHBA in positions of significant responsibility) of LHBA (hereafter any such person referred to as a Covered Person) owes a duty of loyalty to the LHBA which requires that he or she act in the LHBA's best interests and not allow his or her personal or financial interests to take precedence over the interests of LHBA

- I. Annual Disclosure Statement. Each Covered Person must complete, sign and submit to the Recording Secretary, at or about the time of taking on their position through election, appointment, or other determination as a Covered Person, and annually thereafter, a written statement ("Annual Disclosure Statement") in the form attached hereto as Exhibit A. The Recording Secretary must provide a copy of all Annual Disclosure Statements to the Board of Directors for review.
- II. Definition of Conflict. Any of the following circumstances presents a potential conflict of interest:
  - a. Any transaction, agreement or other arrangement in which LHBA or an Affiliate (as defined below) is a participant and in which a Related Party (as defined below) has a financial interest (a "Related Party Transaction").
  - b. Participation by a Covered Person in another organization (as an officer, director, trustee, member, owner or employee of such other organization) that competes with LHBA or an Affiliate.
  - c. Participation by a Covered Person in another organization (as an officer, director, trustee, member, owner or employee of such other organization) that contributes funding to, or receives funding from LHBA or an Affiliate.
  - d. Acceptance by a Covered Person of any gift, entertainment, or other favor where such acceptance might influence, or create the appearance of influencing, the recipient's actions with respect to LHBA or an Affiliate (disregarding gifts of nominal value that are clearly tokens of respect and friendship and not intended to influence the recipient).
  - e. Acquisition by a Covered Person of any real property, leaseholds, intellectual property or other property or rights in which LHBA or an Affiliate has, or is likely to have, an interest.
  - f. Lending of money by LHBA or an Affiliate to a Covered Person (if otherwise allowed) other than for amounts due for ordinary travel and expense advances.
  - g. Any other position or interest, whether direct or indirect, that may make it difficult for a Covered Person to exercise objective judgment, act in LHBA's best interests or otherwise perform his or her duties effectively.
- III. Defined Terms for Purposes of this Policy:
  - a. "Affiliate" means an entity controlled by LHBA, in control of LHBA, or under common control with LHBA.
  - b. "Related Party" means (i) any Covered Person of LHBA or an Affiliate, (ii) any Relative (as defined below) of any such individual or (iii) any entity in which any

such individual or Relative has a 35% or greater ownership or beneficial interest (or, in the case of a partnership or professional corporation, a direct or indirect ownership interest in excess of 5%).

- c. "Relative" means an individual's spouse or domestic partner, ancestor, brother or sister (whether whole or half), child (whether natural or adopted), grandchild, great-grandchild, or spouse of brother, sister, child, grandchild or great-grandchild.

#### IV. Procedures for Addressing a Conflict or Potential Conflict.

- a. Unless such conflict or potential conflict has already been disclosed by a Covered Person as part of his or her Annual Disclosure Statement, any Covered Person who becomes aware that he or she may have a conflict of interest must promptly disclose the conflict or potential conflict in writing to the Recording Secretary.
- b. The Board of Directors will determine whether a conflict exists and, if so, how best to address it consistent with the interests of LHBA. Any conflict of interest must be approved by a majority of disinterested Directors.
- c. Such Covered Person (including a Board of Director) may not (i) be present at or participate in deliberations of the Board of Directors regarding the matter giving rise to the conflict or potential conflict, (ii) vote on the matter giving rise to the conflict or potential conflict or (iii) attempt to improperly influence such deliberations or voting. However, if requested by the Board of Directors, such Covered Person may present information concerning the conflict or potential conflict at a meeting prior to the commencement of deliberations or voting.
- d. In addition, with respect to any Related Party Transaction:
  - i. LHBA may not enter into the transaction unless the Board of Directors has determined that the transaction is fair, reasonable and in LHBA's best interest.
  - ii. In addition, if any Related Party has a substantial financial interest in the transaction (as determined by the Board of Directors), LHBA may not enter into the proposed transaction unless the Board of Directors has (i) considered alternative transactions to the extent available, (ii) approved the transaction by at least a majority vote of the Directors present at the meeting and (iii) contemporaneously documented in writing the basis for its approval of the transaction, including consideration of any alternatives.
- e. The existence and resolution of a conflict or potential conflict must be documented in LHBA's records, including in the minutes of any meeting at which the conflict was discussed or voted upon.

#### V. Oversight.

- a. The Board of Directors shall oversee LHBA's adoption and implementation of and-compliance with this policy.
- b. If The Board of Directors has reasonable cause to believe that a person subject to this policy has failed to comply, the Board may make such further investigation as may be warranted by the circumstances. If the Board determines that such person has failed to comply with this policy, it shall take appropriate action in accordance with law and LHBA's Restrictions and Covenants, Bylaws and other controlling documents, which may include removal from office.

**EXHIBIT A**

**Lion Head Beach Association Conflict of Interest**

**Annual Disclosure Statement**

*This statement must be submitted by each Covered Person to the LHBA Recording Secretary at or about the time such Covered Person takes on their position through election, appointment, or determination that such person is a Covered Person, and annually thereafter.*

I hereby certify that to the best of my knowledge as follows:

- 1) I have received a copy of LHBA’s Conflict of Interest policy and I have read and understand the policy.
- 2) I agree to comply with the policy.
- 3) I understand that LHBA is a non profit corporation that is engaged primarily in activities as described in its Bylaws.
- 4) If there are exceptions to any of the above statements, I am checking the box below and describing them as follows:

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I agree that if I become aware of any actual or potential situation that would in any way contradict any of the statements made above, I will promptly notify the Recording Secretary of LHBA of such situation, make full disclosure thereof and answer any related question.

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Date

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Signature