

CONFLICT OF INTEREST POLICY

OF

NORTH LAKE TAHOE RESORT ASSOCIATION

Section 1. Purpose

The purpose of the conflict of interest policy is to protect this tax-exempt organization's ("Organization") interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction, as defined in I.R.C. Section 4958. An excess benefit transaction is a transaction in which an economic benefit is provided by an applicable tax-exempt organization, directly or indirectly, to or for the use of a disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration received by the organization. This policy is intended to supplement but not replace any applicable state and federal laws governing conflicts of interest applicable to nonprofit organizations.

Section 2. Definitions

(a) Interested Person – Any director, principal officer, or member of a committee with governing board delegated powers, who has a material financial interest, as defined below, is an interested person. (*See* Cal. Corp. Code §5233(a)).

(b) Material Financial Interest – A person has a material financial interest if the person has, directly or indirectly, through business, investment, or a spouse:

- (i) An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- (ii) A compensation arrangement with the Organization, or
- (iii) A compensation arrangement with any entity or individual with which the Organization has a transaction or arrangement, or
- (iv) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Organization is negotiating a transaction or arrangement.

(c) Compensation – Compensation includes direct and indirect remuneration as well as gifts or favors that exceed \$250.00 in value.

(d) A material financial interest is not necessarily a disqualifying conflict of interest. Under Section 3.b, the Board may approve the transaction if it finds that the transaction is in the Organization's best interests.

Section 3. Procedures

(a) Duty to Disclose – In connection with any actual or possible conflict of interest an interested person must disclose the existence of the material financial interest and disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

(b) Determining Whether a Conflict of Interest Exists – After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

(c) Procedures for Addressing the Conflict of Interest

(i) An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

(ii) The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(iii) After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

(iv) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall make findings and determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

(d) Violations of the Conflicts of Interest Policy

(i) If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

(ii) If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4. Records of Proceedings

The minutes of the governing board and all committees with board delegated powers shall contain:

(a) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.

(b) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Section 5. Compensation

(a) A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

(b) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization for services is precluded from voting on matters pertaining to that member's compensation.

(c) No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Section 6. Annual Statements

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement that affirms such person:

- (a) Has received a copy of the conflicts of interest policy;
- (b) Has read and understand the policy;
- (c) Has agreed to comply with the policy; and
- (d) Understands the Organization is a nonprofit and in order to maintain its federal tax exemption it must primarily engage in activities that accomplish one or more of its tax exempt purposes.

Section 7. Periodic Reviews

To ensure the Organization operates in a manner consistent with nonprofit purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (a) Whether compensation arrangement and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining; and
- (b) Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investments or payments for goods and services, further nonprofit purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Section 8. Use of Outside Experts

When conducting the periodic reviews as provided for in Article 7, Section 7, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.



NORTH LAKE TAHOE RESORT ASSOCIATION

CONFLICT OF INTEREST POLICY ANNUAL STATEMENT

Pursuant to North Lake Tahoe Resort Association's ("NLTRA") Conflict of Interest Policy, Section 6, as a director, principal officer or member of a committee with governing board delegated powers, I affirm that I have:

- (a) Received a copy of the Conflicts of Interest Policy of NLTRA;
- (b) Read and understand the policy;
- (c) Agree to comply with the policy;
- (d) Understand that NLTRA is a nonprofit and in order to maintain its federal tax exemption it must primarily engage in activities that accomplish one or more of its tax exempt purposes; and
- (e) Completely and honestly disclosed all actual and potential material financial interests as defined in the Conflicts of Interest Policy on the attached Disclosure form.

[Name, Title]

Date



MATERIAL FINANCIAL INTEREST DISCLOSURE

Purpose

The purpose of the Conflict Of Interest Policy Material Financial Interests Disclosure is to protect NLTRA's best interests and tax-exempt status. Directors must disclose all material financial interests, as defined below, so that NLTRA knows when it is contemplating a transaction or arrangement that might benefit the private interest of an officer or director of the NLTRA or might result in a possible excess benefit transaction, as defined in I.R.C. Section 4958.¹

The Disclosure is for NLTRA's internal use only and is not a public document available for public disclosure. Without prior, written consent from the disclosing party, it may only be disclosed as required by law.

Material Financial Interests

As defined in NLTRA's Conflict of Interest Policy, a Director has a "material financial interest" if the person has, directly or indirectly, through business, investment, or a spouse²:

- a. An ownership or investment interest in any entity that the NLTRA has a transaction or arrangement with;
- b. A compensation arrangement with the NLTRA, or with any entity or individual that the NLTRA has a transaction or arrangement with; or
- c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual that the NLTRA is negotiating a transaction or arrangement with.

Duty to Disclose Actual and Potential Material Financial Interests

Under the Conflict of Interest Policy and state law, Directors have a duty to disclose any actual or possible conflict of interest and the existence of any material financial interest.

¹ The term "NLTRA" includes its subsidiary.

² The term "Spouse" includes a registered domestic partner.

Remember, only "material financial interests," as defined above, must be reported under each of the following five (5) categories. *Please attach additional sheets as necessary.*

1. An Ownership or investment interest (*greater than ten (10) percent*) in any entity that the NLTRA has a transaction or arrangement with.

A. Disclosures:

- No, this section does not apply to me.
- Yes, this section applies to me. Please see information below.

a. Disclose the name of the business entity;

b. Provide a general description of the business activity of the entity (for example, pharmaceuticals, computers, automobile manufacturing, or communications);

c. State the highest percentage of your interest in the entity during the reporting period;

d. Identify the nature of your investment (for example, stocks, warrants, options, or bonds);

e. If you initially acquired or disposed of your entire investment interest during the reporting period, enter the date acquired or disposed.

2. Potential ownership or investment interest(s) (*greater than 10%*) in, or with, any entity or individual that the NLTRA is negotiating a transaction or arrangement with.

A. Disclosures

- No, this section does not apply to me.
- Yes, this section applies to me. Please see information below.

a. Disclose the name of the business entity;

b. Provide a general description of the business activity of the entity (for example, pharmaceuticals, computers, automobile manufacturing, or communications);

c. State the highest percentage of your potential interest in the entity during the reporting period;

d. Identify the nature of your potential investment (for example, stocks, warrants, options, or bonds);

e. If known, enter the expected date of acquisition of the potential interest.

3. Compensation arrangement(s) with the NLTRA. A compensation arrangement with the NLTRA.

A. Disclosures:

- No, this section does not apply to me.
- Yes, this section applies to me. Please see information below.

a. Report the compensation arrangement(s) with the NLTRA that you had during the reporting period;

b. Report your job title with each reportable business entity, even if you received no income during the reporting period;

c. Report the compensation arrangement(s) with the NLTRA that your spouse had during the reporting period.

.....

4. Compensation arrangement(s) with any entity or individual that the NLTRA has a transaction or arrangement with.

A. Disclosures:

- No, this section does not apply to me.
- Yes, this section applies to me. Please see information below.
 - a. Report the compensation arrangement(s) with the entity or individual that you had during the reporting period;

 - b. Provide a general description of the business activity of the business entity or individual (for example, advertising agency);

 - c. Report your job title with each reportable business entity or individual, even if you received no income during the reporting period;

 - d. Report the compensation arrangement(s) with the entity or individual that your spouse had during the reporting period.

5. Potential compensation arrangement(s) with any entity or individual that the NLTRA is negotiating a transaction or arrangement with.

A. Disclosures:

- No, this section does not apply to me.
- Yes, this section applies to me. Please see information below.
 - a. Report the potential compensation arrangement(s) with the entity or individual that existed during the reporting period;

 - b. Provide a general description of the business activity of the source or business entity (for example, advertising agency);

- c. Report your potential job title with each reportable business entity or individual, even if you will receive no income under the potential compensation arrangement during the reporting period;

- d. Report the potential compensation arrangement(s) with the entity or individual that your spouse had during the reporting period.

Appendix

Instructions for Completing Material Financial Interest Disclosures

1. Instructions for Disclosure Item #1:

Reportable “Investments” include investments that qualify as material, as defined in the Material Financial Interest Disclosure Form, and include:

- Stocks, bonds, warrants, and options, held in margin or brokerage accounts;
- Sole proprietorships;
- Your own business;
- Your spouse’s business;
- Your or your spouse’s investments that are legally separate property;
- Partnerships (for example, a law firm or family farm);
- Investments in reportable business entities held in a retirement account ;
- If you, your spouse, or dependent children had a 10% or greater ownership interest in a business entity or trust (including a living trust), you must disclose material financial interests held by the business entity or trust;
- Business trusts

You are not required to disclose reportable investments in:

- Diversified mutual funds registered with the Securities and Exchange Commission (SEC);
- Bank accounts, savings accounts, and money market accounts;
- Insurance policies;
- Annuities;
- Shares in a credit union;
- Government bonds (including municipal bonds);
- Retirement accounts invested in non-reportable interests (for example, insurance policies, diversified mutual funds, or government bonds);
- Defined benefit pension plans and profit sharing plans qualified under Internal Revenue Code section 401(a);
- Interests held in a “blind trust” (a trust managed by a disinterested trustee who has complete discretion to purchase and sell assets held by the trust).

Additionally, you have a reportable “trust interest” if the interest qualifies as a “material financial interest,” as defined in the Material Financial Interest Disclosure Form, and as a Trustor you:

- Can revoke or terminate the trust;
- Have retained or reserved any rights to the income or principal of the trust or retained any reversionary or remainder interest; or
- Have retained any power of appointment, including the power to change the trustee, or the beneficiaries.

Or the interest qualifies as a “material financial interest,” as defined in the Material Financial Interest Disclosure Form, and you are a trust Beneficiary and:

- Presently receive income; or
- Have an irrevocable future right to receive income or principal

2. Instructions for Disclosure Item #2

Disclose any potential, reportable ownership or investment interests. See Appendix section 1, above for definitions of “reportable investments.”

3. Instructions for Disclosure Item #3:

Reportable “compensation” includes direct and indirect remuneration as well as gifts or favors that may be considered substantial enough to influence a Board member’s decision. Commonly reportable “compensation arrangements” and “potential compensation arrangements” include:

- Salary/wages, per diem, reimbursement for expenses;
- Community property interest (50%) in your spouse’s income - report the employer’s name and all other required information;
- Income received from investment interests, such as partnerships.

You are not required to report:

- Income from any sale, including the sale of a house or car (report the total sale price);
- Rental income;
- Prizes or awards not disclosed as gifts;
- Payments received on loans you made to others;
- An honorarium received prior to becoming a Director;

- Incentive compensation;
- Salary, reimbursement for expenses or per diem, social security, disability, or other similar benefit payments received by you or your spouse from a federal, state, or local government agency;
- Payments received under an insurance policy;
- Interest, dividends, or premiums on a time or demand deposit in a financial institution, shares in a credit union, an insurance policy, or a bond or other debt instrument issued by a government agency.

4. Instructions for Disclosure Item #4:

See Appendix section 3, above for applicable definitions of “reportable compensation.”

5. Instructions for Disclosure Item #5:

See Appendix section 3, above for applicable definitions of “reportable compensation.”