

**Board of Directors Conflict of Interest Policy
of Highway 1 Tourism Alliance
A California Nonprofit Mutual Benefit Corporation**

**ARTICLE I
PURPOSE**

In their capacity as directors, the members of the Board of Directors (Board) of the Highway 1 Tourism Alliance (H1TA) must at all times act in the best interests of H1TA. The purpose of this conflict of interest policy (Policy) is to protect H1TA's interest when H1TA is contemplating entering into a transaction or arrangement that may benefit the private interest of a Director, principal officer or member of a committee with Board delegated powers of H1TA or may result in a possible excess benefit transaction. This Policy is also intended to serve an educational purpose to help inform the Board about what constitutes a conflict of interest, assist the Board in identifying and disclosing actual and potential conflicts, and help ensure the avoidance of conflicts of interest where necessary. This Policy may be enforced against individual Directors as described below, and is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit organizations.

**ARTICLE II
DEFINITIONS**

1. **Interested Person.** Any Director, principal officer, or member of a committee with Board delegated powers, who has a direct or indirect financial interest, as defined in Section 2, is an interested person.
2. **Financial Interest.**
 - a) A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 1. An ownership or investment interest in any entity with which H1TA has a transaction or arrangement,
 2. A compensation arrangement with H1TA or with any entity or individual with which H1TA has a transaction or arrangement, or
 3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which H1TA is negotiating a transaction or arrangement.
 - b) Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.
 - c) A financial interest is not necessarily a conflict of interest. Under Article III, Section 2 of this Policy, a person who has a financial interest may have a conflict of interest only if the Board or appropriate committee determines that a conflict of interest exists.

**ARTICLE III
PROCEDURES**

1. **Duty to Disclose.**
 - a) Directors have a fiduciary duty to conduct themselves without conflict to the interests of H1TA. In their capacity as Directors, they must subordinate personal, individual business, third-

party, and other interests to the welfare and best interests of HITA.

- b) All conflicts of interest are not necessarily prohibited or harmful to HITA. However, full disclosure of all actual and potential conflicts, and a determination by the disinterested Directors, with the interested Director(s) recused from participating in debates and voting on the matter, are required. The imperative for recusal varies depending upon the circumstance and profession, either as common sense ethics, codified ethics, or by statute. In fact, to minimize any conflict, the Director should not participate in any way in the decision, including discussions.

2. Determining Whether a Conflict of Interest Exists.

- a) A conflict of interest is a transaction or relationship which presents or may present a conflict between a Director's obligations, HITA, and the Director's personal, business or other interests.
- b) After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the Board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Directors or committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing a Conflict of Interest.

- a) An interested Director may make a presentation to the Board or committee, but after the presentation they shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b) The Chair of the Board or committee chair shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c) After exercising due diligence, the disinterested person(s) shall make a determination as to whether a conflict exists and what subsequent action is appropriate (if any). The Board or committee shall determine whether HITA 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.
- d) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or committee shall determine by a majority vote of the disinterested Directors or committee members whether the transaction or arrangement is in HITA's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the determination, the Board or committee shall decide whether to enter into the transaction or arrangement.
- e) The Board shall retain the right to modify or reverse such determination and action, and shall retain the ultimate enforcement authority with respect to the interpretation and application of this Policy.

4. Violations.

- a) If the Board or committee has reasonable cause to believe a Director has failed to disclose actual or possible conflicts of interest, it shall inform the Director of the basis for such belief and afford the Director an opportunity to explain the alleged failure to disclose.
- b) If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Director or committee determines the Director has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

ARTICLE IV RECORDS OF PROCEEDINGS

The minutes of the 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 Board 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.

ARTICLE V COMPENSATION

1. **Directors.** A Director who receives compensation, directly or indirectly, from H1TA for services is precluded from voting on matters pertaining to that members' compensation.
2. **Committee Members.** A member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from H1TA for services is precluded from voting on matters pertaining to that committee member's compensation.
3. **Provision of Information.** No Director or any committee member whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from H1TA either individually or collectively, is prohibited from providing information to any committee regarding compensation.

ARTICLE VI PERIODIC REVIEWS

To ensure H1TA operates in a manner consistent with its tax-exempt 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 arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.
- b) Whether partnerships, joint ventures, and arrangements with management organizations conform to H1TA's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further H1TA's tax-exempt purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

**ARTICLE VII
USE OF OUTSIDE EXPERTS**

When conducting the periodic reviews as provided for in Article VII, H1TA may, but is not required to, use outside experts. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.

**ARTICLE VIII
ADDITIONAL REQUIREMENTS**

1. **Forms.** All completed forms, as well as all other conflict information provided by Directors, shall be provided to and reviewed by the H1TA Board.
2. **Trainings.** Directors are required to complete Ethics Training every two years.

This Policy was adopted by the H1TA Board of Directors on September 24, 2025.

ACKNOWLEDGEMENT

I have read the H1TA Board Conflict of Interest Policy set forth above and agree to comply fully with its terms and conditions at all times during my service as a H1TA Director. If at any time following the submission of this form I become aware of any actual or potential conflicts of interest, or if the information provided below becomes inaccurate or incomplete, I will promptly notify the H1TA Chair in writing. I understand that H1TA is tax-exempt, and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes. The original copy of this document will be held in the H1TA office.

Disclosure of Actual or Potential Conflicts of Interest: _____

Director Signature: _____

Director Printed Name: _____

Date: _____

Completion of Ethics Training: _____

Date of Completion: _____