

Minutes
NORTH SHORES BOARD OF GOVERNORS, INC.
Regular Meeting of Board of Directors
April 17, 2023

A regular meeting of the Board of Directors of North Shores Board of Governors, Inc. was held on Monday April 17, 2023. Notice of the meeting was announced by email and posted in advance on the North Shores website in compliance with North Shores governing documents and DUCIOA. The meeting was called to order at 5:02 p.m., and a quorum was declared.

Attending the meeting by teleconference were: President Steven Hollman, Treasurer Helen Hoart, and Directors Bruce Wilson, David Antonelli and Cyrus Brinn. Community Executive Jeff Sellman and several members of the North Shores community also attended the meeting. The Agenda for the meeting is attached as Exhibit A hereto.

President Hollman thanked those from the community in attendance and reminded them that the Board would conduct the meeting as a Board, and that time for questions and comments from the community would be provided at the end of the meeting.

The first item on the Agenda was the ratification of Board approval of the actions taken by the Board via unanimous written consent since the last meeting on March 23, 2023. The Board reviewed the list contained in the agenda for the meeting and on motion duly made and seconded, the Board ratified the following matter previously adopted by unanimous written consent:

- Construction Permit Application (including required prior written neighbor consents) – Minor:
3 Ocean Drive – Approved

The Board then turned to a discussion of a proposed Conflict of Interest policy. President Hollman summarized the proposed policy and associated acknowledgment/disclosure forms (attached as Exhibit B hereto), and described the scope and principles outlined in the proposed policy. The new policy will define and require disclosure of conflicts of interest and adopt a process for addressing conflicts as they arise. The policy requires an annual certification from directors and others who are subject to the policy. President Hollman detailed his solicitation of the views (for the benefit of both the association and individual Board members) of the Board's outside legal counsel in Delaware, who had reviewed and endorsed the policy as drafted.

In response to multiple questions from Directors Antonelli and Brinn concerning the scope of the policy as applied to individual Board members and the process surrounding the required disclosures, President Hollman described the genesis and of the proposed policy as a response to allegations made in an October 2021 letter sent by some members of the community suggesting that members of the Board of Directors

had a conflict of interest in recommending community consideration of the construction and rental fees. Director Hoart indicated that the policy was a prudent step regardless of the allegations in the October 2021 letter.

President Hollman then described the operation of the policy and the implementation of the principle that conflicted persons should recuse themselves from the discussion and vote on any matter in which they had a conflict of interest. President Hollman made clear that the Board's legal counsel was available to individual Board members to answer questions about the draft policy, and emphasized that the policy defined what constituted a conflict of interest and would thus protect future board members and committee volunteers from allegations of conflict similar to those raised previously.

After further discussion and upon motion duly made and seconded, the Conflict of Interest Policy in the form attached to these minutes was adopted unanimously.

The Board then turned to a discussion of new business and a discussion of community complaints about group rentals and the forms by which the community will assess rental fees in the neighborhood going forward. Director Antonelli suggested that additional information concerning group rental limitations and an additional required certification from tenants/agents would be appropriate. Community Executive Sellman will develop a draft rental fee and group rental certification for Board review.

President Hollman then invited community comment from those members of the community monitoring the board call. There being no such comment, and on motion duly made and seconded, the Board unanimously resolved to adjourn at 5:49 pm.

Respectfully submitted,



Bruce S Wilson, Secretary

EXHIBIT A

AGENDA

NSBG, Inc.

Meeting of the Board of Directors
April 17, 2023, at 5:00 p.m. Eastern

1. Call to order

2. Old Business:

- Ratification of the following board votes adopted unanimously by electronic mail:
 - Construction Permit Application – Limited Review 3 Ocean Drive – Approved.
- Conflict of Interest Disclosure Policy and Forms
- Other Old Business, if any

3. New Business:

- Other New Business, if any

4. Adjournment

EXHIBIT B

Revised 01.08.23

North Shores Board of Governors Conflict of Interest Policy

I. Application of Policy

This policy applies to all members of the Board of Governors and any volunteer or Committee member if that person has been granted significant independent decision-making authority with respect to financial or other resources of the community. Any person covered by this policy is hereinafter referred to as an "Interested Party." Reference to an Interested Party includes relatives 1/ and business associates 2/.

1/ The term "relatives," as used herein, refers to immediate family.

2/ The term "business associates," as used herein, refers to persons with whom the Interested Party shares a financial interest in a business entity (other than ownership of stock in a publicly traded company).

II. Conflict of Interest

A conflict of interest may exist when the interests or concerns of an Interested Party may compete or appear to compete with the interests or concerns of the North Shores Board of Governors ("NSBG"). There are a variety of situations that raise conflict of interest concerns including, but not limited to, the following:

Financial Interests - A conflict may exist where an Interested Party may directly or indirectly benefit or profit from a decision made or transaction entered into by the NSBG. Some examples include situations where the NSBG:

- **contracts to purchase or lease goods, services, or properties from** an Interested Party;
- **purchases an ownership interest in or invests in a business entity owned by an** Interested Party;
- **offers employment to** an Interested Party, other than a person who is already employed by the NSBG;

Or, where an Interested Party is:

- **provided with a gift, gratuity, favor or benefit of a substantial nature** from a person or entity which does business or seeks to do business with the NSBG;
- **gratuitously provided use of the facilities, property, or services** of the NSBG.

Other Interests - A conflict may also exist where an Interested Party **obtains a nonfinancial benefit or advantage** that they would not have obtained absent their relationship with NSBG, or where their duty or responsibility owed to another group or organization conflicts with their duty or responsibility to the NSBG. Some examples include when an Interested Party seeks to:

- **obtain preferential treatment** by the NSBG for themselves or other Interested Party;
- **make use of confidential information** obtained from the NSBG for their own benefit or for the benefit of an Interested Party; or

- **usurp a corporate opportunity** or enable an Interested Party to usurp a corporate opportunity which they have reason to believe would be of interest to the NSBG.

Principles -

1. **No Interested Party shall in any way use their position** with the NSBG or any knowledge gained therefrom, **to enhance their Financial position**, or the financial position of any other Interested Party in a manner that is contrary to the best interests of the NSBG.
2. Unless there is prior notice and approval of the Board, **no Interested Party shall solicit, encourage or promote a business relationship with the NSBG** or engage in any conduct intended to lead to a business relationship between the NSBG and that Interested Party. Please note that counseling/consultation interactions by Board members does not constitute any conflict of interest as it is expected that Board members share their personal and professional expertise with the organization. Further, formal pro bono services provided by Board members or volunteers to the NSBG can be made available without the step of clearance by the Board when exigencies and emergent situations arise. In that event, after-the-fact disclosure of such services to the Board is sufficient.
3. **No Director, Officer or Employee shall accept any gift, compensation or other benefit from any person or organization transacting business or competing with the NSBG** under circumstances from which it might be inferred that such acceptance might influence the person in the performance of their duties as a Director, Officer, or Employee.
4. **No proposed transaction or activity with the NSBG** involving an Interested Party **shall be undertaken unless that transaction or activity is in the best interest of, and fair and reasonable to, the NSBG and does not create an appearance of impropriety.**

III. Disclosure of Actual or Potential Conflicts of Interests

An Interested Party is under a *continuing obligation* to disclose in writing any actual or potential conflict of interest as soon as it is known or reasonably should be known.

An Interested Party shall complete a questionnaire, in the form set forth in Appendix A (attached), to fully and completely disclose the material facts about any actual or potential conflicts of interest. The disclosure statement shall be completed upon such person's association with the Board, and shall be updated annually thereafter.

- **Process:** For NSBG Board members, the disclosure statements shall be provided to the President of the Board. The President's disclosure statement shall be provided to the Secretary and the Treasurer of the Board.

In the case of volunteers or Committee members with significant decision-making authority, the disclosure statements shall be provided to the NSBG Board President.

The Secretary of the Board shall file copies of all disclosure statements with the official corporate records of the NSBG.

IV. Procedures for Review of Actual or Potential Conflicts -Generally

Whenever there is reason to believe that an actual or potential conflict of interest exists between the NSBG and an Interested Party, the Board shall determine the appropriate organizational response. This shall include, but not necessarily be limited to, invoking the procedures described below with respect to a specific proposed action or transaction.

V. Procedures for Addressing Conflicts of Interest - Specific Transactions

Where an actual or potential conflict exists between the interests of the NSBG and an Interested Party with respect to a specific proposed action or transaction, the NSBG **shall refrain from the proposed action or transaction** until such time as the proposed action or transaction has been approved by the disinterested members of the Board. The following procedures shall apply:

- **An Interested Party who has an actual or potential conflict of interest** with respect to a proposed action or transaction of the corporation **shall not participate or be present during the deliberations and decision making** of the NSBG with respect to such action or transaction. The Interested Party may, upon request, be available to answer questions or provide material information about the proposed action or transaction.
- **The disinterested members of the Board may approve the proposed action or transaction upon finding that it is in the best interests of the community.** The Board shall consider whether the terms of the proposed action or transaction are fair and reasonable to the NSBG and whether it would be possible, with reasonable effort, to find a more advantageous arrangement with an entity that is not an Interested Party.
- **Approval by the disinterested members of the Board shall be by majority vote** of directors in attendance at a meeting at which a quorum is present. An Interested Party shall not be counted for the purposes of determining whether a quorum is present, nor for the purposes of determining what constitutes a majority vote of Board members in attendance. Additionally, **the Interested Party, would recuse themselves from the vote.**
- The minutes of the meeting shall reflect that the conflict disclosure was made, the vote taken and, where applicable, the abstention from voting and participation by the Interested Party.

VI. Violations of Conflict of Interest Policy

If the Board has reason to believe that an Interested Party has failed to disclose an actual or potential conflict of interest, it shall inform the party of the basis for such belief and afford the party the opportunity to explain the alleged failure to disclose.

If, after hearing the response of the Interested Party and making such further investigation as may be warranted in the circumstances, the Board determines that the Interested Party has in fact failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Appendix A

**Conflict of Interest Policy
Annual Affirmation of Compliance**

The proactive disclosure of conflict is intended to represent an ethical approach to conducting business, be a part of corporate risk management, and to have available information to be relied on by the management of the NSBG. Appropriately avoiding real or perceived Conflict of Interest relies on self-recognition and disclosure at any time.

_____ I have received and carefully read the Conflict of Interest Policy for Board members, and volunteers and Committee members of the NSBG and have considered not only the literal expression of the policy, but also its intent.

_____ I have noted below whether I have any conflict of interest as defined in the policy.

_____ By signing this affirmation of compliance, I hereby affirm that I understand and agree to comply with the Conflict of Interest Policy. I also understand that the NSBG is a non-profit organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

If any situation should arise in the future which I think may involve me in a conflict of interest, I will promptly disclose the circumstances to the President of the Board and refrain from any participation. In most cases, this shall require disclosure of a possible conflict of interest and abstention from voting on the matter.

_____ I have no conflict of interest to report.

_____ I have the following known associations or possible conflict(s) of interest to report.

Please specify below any relationships, transactions, positions you hold (volunteer or otherwise), or circumstances that you believe could contribute to an actual or possible conflict of interest between the organization and any entity or person with which you have a business, investment, or family relationship. (You may attach a supplemental statement if you have additional actual or possible conflicts of interest to disclose.)

Name (Please print) _____

Signature _____

Date: _____

Please sign and return to:
Steven P. Hollman, President, NSBG
shollman@sheppardmullin.com