

North Shore at Lake Hart Homeowner's Association, Inc.
Conflict of Interest Policy

Purpose: The Conflict of Interest Policy is to protect the collective interests of North Shore at Lake Hart HOA. Officers, Directors and Committee Members have a fiduciary duty to the HOA which specifically requires loyalty, i.e. they must work for the interest of the HOA and not for their own personal interests. This policy defines different types of conflict of interest, provides options for the Board to manage conflicts of interest and establishes disclosure requirements and recourse for failure to disclose Conflict of Interests. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to Homeowner's Associations and not-for-profit organizations.

Scope: Applies to any director, officer, or member of a committee (interested person), who has a direct or indirect interest in a transaction which could create a conflict of interest including but not limited to: financial interests, claims of any kind, pending or potential litigation and/or administrative actions and interests created by family relationships.

Authority: Florida Statutes Chapter 720, North Shore at Lake Hart Governing Documents, NSLH Officer and Board Member Confidentiality and Fiduciary Agreement

Effective Date: Upon approval by the Board of Directors

1.0 Conflict of Interest: When official duties conflict with personal interests, including, but not limited to the following:

1.1 Financial Interest - including but not limited to: a direct or indirect financial interest through a business or a material investment that could result in a possible excess benefit transaction such as (1) An ownership or material investment interest in any entity with which the Association has a transaction or arrangement; (2) A compensation arrangement with an entity or individual with which the Association is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial (in excess of \$50).

a. Material investment interest is defined as ownership by self or family member (grandparent, parent, spouse, sibling, child) of a 5% or greater interest in an entity providing goods to or services for the HOA.

b. A person who has a Material Financial Interest has a conflict of interest only if the Board decides that a conflict of interest exists, see section 2.0.

1.2 Claim or Settlement Interest - including but not limited to: a direct or indirect financial interest through a claim of any kind benefiting self or a family member (grandparent, parent, spouse, sibling, child).

- a. A person who has a claim or settlement interest has a conflict of interest only if the board decides that a conflict of interest exists, see section 2.0.

1.3 Interest in Legal or Administrative actions- including but not limited to being involved with potential or pending litigation and/or administrative actions against the HOA including self or family member(s), see section 2.0.

- a. Conflict of interest regarding litigation or administrative action may be long term in nature. The board must consider the implications of managing a long-term conflict of interest scenario.

2.0 Procedures:

2.1 Duty to Disclose – an interested person must disclose any actual or possible conflict of interest as defined above and be given the opportunity to disclose all material facts to the directors.

2.2 Determining Whether a Conflict of Interest Exists – After Disclosure of potential conflict and all material facts and after any discussion with the interested Board Member, the interested Board Member will voluntarily leave the-board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists pursuant to the procedure below.

2.3 Procedures for Addressing a Conflict of Interest:

- a. An interested person may make a presentation at the-board meeting but after the presentation, the interested person shall voluntarily leave the meeting during the discussion of and the vote on the possible conflict of interest.
- b. The board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the possible conflict of interest.
- c. The board shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Association'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 arrangement and how to insulate the transaction from the Board Member with a conflict of interest.
- d. Conflict of interest regarding claims, litigation or administrative action may be long term in nature. The board must consider the implications of managing a long-term conflict of interest scenario as it is typically a fiduciary duty of the board member to participate in the discussions and strategies for defending claims, litigation, or administrative action against the HOA. Items to consider are confidentiality, quorum, ability to discuss strategy, fiduciary duties to the HOA. Long term conflict of interest may require the board to evaluate the interested person's ability to effectively serve and/or remain as a member of the board.

2.4 Violations of the Conflict of Interest Policy:

- a. If the board 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.
- b. If after hearing the member's response and after making further investigation as warranted by the circumstances the board determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action including but not limited to expulsion from the board and possible collection of damages for any over payment or benefit to the interested person.

3.0 Records of proceedings – The minutes of the board shall contain (1) The names of the persons who disclosed or otherwise were found to have a conflict of interest, the nature of the conflict of interest, and any action taken to determine whether a conflict of interest in fact existed; (2) 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. Any legal meeting regarding the subject either before or after the open meeting may be conducted pursuant to the privilege provided by Florida Law.

4.0 Annual Statements – Each director, officer, and member of a committee shall annually sign a statement which affirms such person (a) Has received a copy of the Conflict of Interest Policy; (b) Has read and understands the policy; (c) Has agreed to comply with the policy; and (d) Has agrees to immediately disclose any conflict of interest changes that may occur during the year.

5.0 Conflict of Interest Questions:

5.1 A board member owns stock in Home Depot (less than 5% of total outstanding shares). Does the board member have a conflict of interest if the HOA executes a contract for window replacement with Home Depot? No, the BOD member does not have a conflict of interest because the board member does not have a material interest in Home Depot. Should the board member disclose the investment interest? Yes, when in doubt, disclose.

5.2 A board member's family filed an insurance claim against the HOA. Is there a conflict of interest for the Board member? Yes, the conflict of interest is based upon family relationship. The Board member should disclose the conflict of interest and remove themselves from any discussions or voting regarding this matter.

5.3 A board member's family is part of a group that has filed a lawsuit against the HOA. Does the board member have a conflict of interest? Yes, based upon family relationship, the board member must disclose the conflict of interest. Additionally, the Board of Directors must consider the conflict of interest

5.4 A board member is named as part of a lawsuit filed by a homeowner. Does the board member have a conflict of interest? No, defending the HOA is a normal part of the fiduciary duty of the board member.

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