

**BETHANY BEACH LANDOWNERS ASSOCIATION
CONFLICTS OF INTEREST POLICY**

ARTICLE 1

PURPOSE

The purposes of this Conflicts Of Interest Policy (the "Policy") are to help inform officers, members of the Board of Directors (the "Board") of the Bethany Beach Landowners Association (the "BBLA"), executive-level employees or consultants of the BBLA about what constitutes a conflict of interest; to assist officers, Board members, executive-level employees or consultants in identifying and disclosing actual and potential conflicts of interest; and to help ensure the avoidance of conflicts of interest where necessary.

ARTICLE 2

DEFINITIONS

1. Covered Person: Any member of the Board, any executive-level employee thereof or any consultant of the Board designated by the Board as subject to the Policy.
2. Interested Person: Any Covered Person who has or may have a direct or indirect financial interest, or other significant interest, as those terms are defined below.
3. Financial Interest: A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership interest in any entity with which the BBLA has a transaction or arrangement,
 - b. A compensation arrangement with the BBLA or with any entity or individual with which the BBLA has a transaction or arrangement, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the BBLA is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial.

4. Other Significant Interest: A person has an other significant interest if the person or any member of his or her immediate family has a non-financial interest, or an interest of a financial nature other than one described in Section 2 of this Article (such as ownership of a commercial property that would be affected by an issue relating to commercial properties under consideration by the BBLA), which may impair his or her independence or judgment in the exercise of duties or judgment in the course of the person's activities as a Covered Person.
5. Conflict of Interest: A Conflict of Interest is a Financial Interest or Other Significant Interest that presents or may present a conflict between an Interested Person's obligations to the BBLA and his or her personal, business or other interests. A Financial Interest or Other Significant Interest is not necessarily a Conflict of Interest. However, an Interested Person should disclose any

potential conflict so that disinterested members of the Board or any designated committee thereof can determine whether a Conflict of Interest exists.

ARTICLE 3 PROCEDURES

1. Disclosure:

Each Covered Person shall disclose to the Board or Executive Committee any actual or potential Conflict of Interest that he or she may have in any matter pending before the Board promptly upon becoming aware of the actual or potential conflict of interest.

Each Covered Person shall annually sign a disclosure form that affirms such Covered Person:

- a. Has received a copy of the Policy,
- b. Has read and understands the Policy;
- c. Has agreed to comply with the Policy, and
- d. Understands that in order to maintain its federal tax exemption the BBLA must engage in activities that accomplish one or more of its tax-exempt purposes.

Any new Covered Persons shall be advised of the Policy and furnished a disclosure form upon undertaking their duties relative to the BBLA .

2. General Process:

When any actual or potential Conflict of Interest arises that is relevant to a matter being considered by the Board, the interested person shall call it to the attention of the Board and shall provide the Board or any designated committee thereof all material information concerning the actual or potential Conflict of Interest. Notwithstanding the foregoing, to the extent the Interested Person is prevented from providing any material information by confidentiality commitments, such Interested Person shall provide all material information permissible and advise that other material information cannot be provided. The Interested Person shall retire from the room in which the Board is meeting and shall not participate in the further deliberation or vote on the final decision regarding the matter under consideration unless a determination is first made by the disinterested members of the Board or any designated committee thereof that there is not a Conflict of Interest and that the person may participate and vote on the matter.

The minutes of the meeting of the Board shall reflect that the Conflict of Interest was disclosed and that the interested person was not present during the final discussion or vote and did not vote, or a determination was made that no conflict exists. The minutes should indicate any resolution or action to be taken in response to the Conflict of Interest.

3. Board Determination:

The Board (excluding any Interested Person) shall decide whether there is no Conflict of Interest, a Conflict of Interest that is not prohibited under this Policy or a Conflict of Interest that is prohibited. If the Board determines that no Conflict of Interest exists, it shall inform any Covered Person involved in the situation of its determination and take any other actions it deems prudent. If the

Board concludes that a Conflict of Interest exists but that it is not prohibited by this Policy, the Board shall inform any Covered Person involved in the situation of its determination and take any other actions it deems prudent to address the Conflict of Interest, including excluding any Covered Person from deliberations and decision making with respect to any relevant matters. If the Board determines that a prohibited Conflict of Interest exists, the Board shall decide either: (a) to decline to enter into any transaction that implicates such conflict; or (b) to request the resignation of any relevant Interested Person and, if the Interested Person does not resign, follow appropriate legal procedures to remove such Interested Person.

The Board may from time to time establish or designate a committee of the Board to review any Conflicts of Interest questions raised by this Policy, to determine whether a particular situation involves a Conflict of Interest and to make recommendations to the Board about how to address Conflicts of Interest.

4. Failure to Disclose Conflict of Interest:

If the Board has reason to believe that an Interested Person has failed to disclose a Conflict of Interest or otherwise violated this Policy, it shall inform such Interested Person of the basis for this belief and afford him or her an opportunity to explain the alleged failure or violation. If, after hearing the response of such Interested Person and making such further investigation as may be warranted in the circumstances, the Board determines that the Interested Person has in fact failed to disclose an actual or potential Conflict of Interest or otherwise violated this Policy, it shall take appropriate disciplinary and corrective action, which when involving a Board member may include removal from the Board and when involving any other Interested Person may include termination of the Board's relationship with such Interested Person.

AS ADOPTED BY THE BOARD ON MAY 6, 2023.