

## REQUEST FOR ACTION

<b>To</b>	The Collection Board of Directors				
<b>Subject</b>	Conflict of Interest				
<b>Preparer</b>	Debra Ishihara-Wong				
<b>Date</b>	8/6/18	<b>For Board</b>	x	<b>Action</b>	<b>Info</b>

### EXECUTIVE SUMMARY

Board members, as fiduciaries, have the duty and responsibility for the decisions they make on behalf of the Association. The board member(s) must subordinate their personal interest when taking action in connection with the Association. Board members owe a duty of loyalty to the Association and its membership. The duties of board members must be fulfilled in good faith in the best interest of the association and is prudent. A prudent person is capable of exercising sound judgment in practical matters, esp. as concerns one's own interests

In accordance with Section 3.2 of the Association's Bylaws, Section 514B-125 of the Hawaii revised statues, and The Collection Association Policy Code of conduct for Board and Committee Members, Directors and Committee members shall not cast any proxy vote at any Board meeting, nor shall they vote at any meeting on any issue in which they have a conflict of interest. The Director or committee member shall disclose the nature of any conflict of interest prior to a vote at the meeting, and the minutes of the meeting shall record the fact that a disclosure was made.

Since the creation of the AUOU, there was only one instance where the BOD declared a conflict of interest. This occurred when an owner at the BOD meeting, reminded the BOD that they needed to declare their conflict and not render a vote. The AUOU subcommittees have not declared any conflict of interest though multiple recommendations have been submitted to the BOD.

The establishment of the President's committees was announced at the BOD May meeting. The chairperson for the Building, Grounds & Design Committee, Ryan Kamo, announced that there were 5 members on his committee, and only one of them was a Board Member. Chair Kamo did not announce who were the four members were during the meeting. However, the posted minutes indicated the following members: Cherie Dang, Byron Ho, Rick Stack, and Carol Zuendorfer. Several members of this committee, plus Chair Kamo, have current and/or previous relationships with the developer, A&B. This poses many potential conflicts of interest, especially in the discussions of non-functioning equipments and/or potential construction defects concerning the developer, and its contractors.

Upon my recent request to Hawaiian Management, the list of subcommittee members were posted to The Collection intranet site is:  
<http://www.thecollectionhonolulu.net/index.cfm?fuseaction=ig.page&PageID=64>, and  
 In this posting, Mr. Rick Stack, former VP for A&B, is no longer listed as a member of the Building, Grounds & Design Committee.

**RECOMMENDATION**

To decrease any perception of improprieties by the BOD and committee members

1. The BOD and committee members must disclose any activity that may reasonably be construed to be a conflict of interest and such activity must be properly noted.
2. Before any motion/vote is made by the BOD and its committee, a timeout should occur and the questions asked whether anyone has a conflict of interest. The conflict of interest should be listed on the board's meeting agenda, and all contracts and transactional documents related to the activity should be attached to the agenda.
3. The director(s), subcommittee member(s) and/or relative of a director or subcommittee member(s) who has the possible conflict may attend the meeting and make a presentation to the board, but he or she must leave the meeting during any discussion regarding the topic.

**RATIONALE**

A widely used definition of a conflict of interest is "a set of circumstances that creates a risk that professional judgment or actions regarding a primary interest will be unduly influenced by a secondary interest. Primary interest refers to the principal goals of the profession or activity, such as the protection of clients, the health of patients, the integrity of research, and the duties of public officer. Secondary interest includes personal benefit and is not limited to only financial gain but also such motives as the desire for professional advancement, or the wish to do favors for family and friends." These secondary interests become objectionable when they are believed to have greater weight than the primary interests."

Exhibits (If applicable)	Index	Title

**FOR BOARD USE ONLY**

**CERTIFICATE OF BOARD ACTION**

Approved	Declined	Noted	Returned	Deferred	Withdrawn
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**Stipulations**

<b>Coordinating Instructions</b>					
<b>Distribution Instructions</b>					
Recording Secretary		Action Date		RFA No.	31-2018