

January 4, 2010

Philip Princetta, Chair
Mike Karim, Treasurer
Carl Worrell, Secretary
Board of Directors
San Diego LGBT Pride, Inc.

RE: Urging Your Immediate Action

The board has placed me in the most gut retching and troubling position in my career. I remain deeply troubled and absolutely against the Board's decision to issue \$5,000 in compensation to the Chair. I am at a loss of words. As you know, the board did not include the Executive Director in the decision making process which included discussion off-and-on in private meetings over a number of months.

Like a member of the board, as the Executive Director of San Diego Pride, I too have a fiduciary duty to the entire organization, its employees, and the community we serve and not simply a single board member.

I feel the board has not acted in the best interests of San Diego Pride or the community. The loss of public trust will challenge this organization for the foreseeable future.

The board has violated their fiduciary duties by (1) after receiving advice from the Executive Director on December 17, 2009 that paying \$5,000 to the Chair is a self-dealing transaction, the board refused to reverse their action; (2) reaffirming their decision on December 29, 2009, by retaining Philip Princetta as a board member and Chair, and not requiring repayment of the \$5,000; (3) knowingly conducting private meetings unannounced to the Executive Director or the public, from April to October 2009 giving an impression of secret backroom dealings; (4) excluding executive director input, not seeking advice of the organization's attorney or accountant prior to paying the board Chair \$5,000 for service to the organization dating back to 2002; (5) violating the organizations bylaws which require that no director be compensated; (6) violating the articles of incorporation of San Diego Pride under the principal that it was not organized for the private gain of any person; (7) violating the long standing tradition of volunteer service as a board member of San Diego Pride and offering an unprecedented payment for services; and by (8) placing the organization in a position to be investigated by the Attorney General for engaging in self-dealing.

The board had the right, duty, and privilege of time to seek and receive advice and opinions from the Pride organization's executive director, legal advisor, accountant, and other nonprofit leaders in San Diego. The board violated their "duty of care" to the

organization by (1) once advice was received; the board members were under moral, ethical, if not legal obligation to act accordingly. Within hours after seeing no supportive or best practice documentation to demonstrate the validity or to justify the \$5,000 payment to the Chair in the regular board minutes presented on December 16, 2009, the Executive Director requested a meeting under the organization's Whistleblower Policy with the board Treasurer. On December 17, 2009, the Executive Director informed the Treasurer in writing that the \$5,000 payment was a self-dealing transaction that violated the organization bylaws and as board members, they violated their position of trust in the eyes of the society Pride serves. (2) in a separate meeting on December 17 with the board Chair, the Executive Director reiterated his concerns that the payment was inappropriate, in violation of public trust and he called on the Chair to resign from the board; (3) in another attempt to reason with the board on December 31, 2009 the Executive Director informed the board he contacted the legal advisor and accountant for San Diego Pride. The Executive Director passed on the advice which included the call for the funds to be repaid. At the same time, the Executive Director provided a forecasted estimate in the loss of funding that will result from the board's action; and by (4) not acknowledging or responding to the Executive Director's note on December 31.

The board has violated the duty of "good faith" by (1) privately discussing the compensation for six months and not allowing sufficient time for discussion and deliberation at board meetings, instead the board conducted a vote by email to authorize the distribution of funds; (2) making a material decision without adequate disclosure, or involvement with staff; (3) failing to thoroughly document the deliberative process of the directors and record adequate minutes of all meetings. Authorizing an unprecedented payment to a director would necessitate some indication of the length and nature of the discussion in meeting minutes. The record fails to reflect the board's effort and time in reviewing the issue other than a single sentence directive to the Executive Director to:

"Please prepare a check for \$5,000 payable to Dr. Philip Princetta. The Board voted to reward Philip with a stipend for his service to the organization since 2002."

As sitting uncompensated board members of a nonprofit corporation I feel strongly that you have breached your duty as board members by (1) failing to solicit advice from an independent governance committee to prepare guidelines that could address issues relating to director compensation including setting qualification standards, defining responsibilities, and performance requirements; (2) engaging in a conflict of interest by compensating a sitting board member for previous board service without any stated contract or performance agreement; and by (3) willful disregard to recommendations by the Executive Director against compensating a board member.

I cannot reiterate strongly enough, that with the multiple layers of secrecy, undocumented meetings, exclusion of the Executive Director from the decision making process and failing to engage in a reasonable inquiry with the organization's attorney or accountant, that the decision to distribute \$5,000 in funds originally raised for charitable purposes was not in the best interest of the organization.

Based on the advice the Executive Director provided to the board first on December 17 and then again on December 31, the actions of the board cannot be viewed as being in the best interest of the community we serve.

With respect for your dedication to Pride and my faith of fellow man, I can't help but see that any prudent person under similar circumstances in the conduct of business would view this distribution of funds by the board of directors as a misuse of charitable funds and an abuse of a board's power.

In a process of complete and full disclosure, I have sought counsel of my peers, I have provided expert advice to the board and I know my actions are just. From our community of donors to elected officials that agree, it saddens me to be in the position now to call on the resignation of all three board members and request the \$5,000 be returned to San Diego Pride immediately.

As officers, you occupy a position of trust and maintain a fiduciary duty requiring that you act solely in the best interest of the organization, free of any self-dealing, conflicts of interest, or other abuse of the principal for personal advantage. We have no other option but to take the corrective course of action for the good of the community San Diego Pride serves and to begin the process of rebuilding the public trust.

We must begin the process of rebuilding trust.

Sincerely,



Ron deHarte
Executive Director
San Diego Pride

- c. Todd Stevens
- Robert Gleason
- Nicole Murray Ramirez
- Delores Jacobs