

The Pines at South Mountain, LLC

Community Association Ethics Policy

For Directors and Committee Members

The Pines at South Mountain Community Association (The "Association") Board of Directors will use its best efforts at all times to make decisions that are consistent with professional management principles, and to maintain, protect and enhance the value of the Association assets and quality of life.

A. BOARD RESPONSIBILITIES

The general duties for Directors are to enforce the Association's governing documents, collect and preserve the Association's financial resources, insure the Association's assets against loss, and keep the common areas in a state of good repair. To fulfill that responsibility, Directors must:

- study governing documents to gain a general knowledge of CC&Rs, Bylaws, and Architectural Guidelines,
- regularly attend Board meetings,
- review material provided in preparation for Board meetings,
- review the Association's financial reports,
- make reasonable inquiry before making decisions.
- work within the Association's framework and abide by the system of management established by the governing documents and the Board, and
- uphold their *fiduciary* duty to the Association: *care, loyalty, and confidentiality*.

B. PROFESSIONAL CONDUCT

In general, Directors and committee members must conduct all dealings with vendors and employees with honesty and fairness, and safeguard information that belongs to the Association.

1. Self-Dealing. Self-dealing occurs when Directors or committee members make decisions that materially benefit themselves or their relatives at the expense of the Association. "Relatives" include a person's spouse, parents, siblings, children, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone who shares the person's residence. Benefits include money, privileges, special benefits, gifts or other item of value. Accordingly, no Director or committee member may:

- solicit or receive any compensation from the association for serving on the board or any committee,
- make promises to vendors unless with prior approval from the Board,
- solicit or receive, any gift, gratuity, favor, entertainment, loan, or any other thing of value for themselves or their relatives from a person or company who is seeking a business or financial relationship with the Association,
- seek preferential treatment for themselves or their relatives,
- engage in a contractual agreement with any vendor, contractor, or sub-contractor currently under contract with the Association,
- use Association property, services, equipment or business for the gain or benefit of themselves or their relatives, except as is provided for all members of the Association.

2. Confidential Information. Directors and committee members are responsible for protecting the Association's confidential information. As such they may not use confidential information for the benefit of themselves or their relatives. Except when disclosure is duly authorized or legally mandated, no Director or committee member may disclose confidential information. Confidential information includes, without limitation:

- private personal information of fellow Directors and committee members,
- private personnel information of the Association's employees,
- disciplinary actions against members of the Association,
- assessment collection information against members of the Association, and
- legal disputes in which the Association is or may be involved--Directors may not discuss such matters with persons not on the Board without the prior approval of the Association's legal counsel. Failure to follow these restrictions could constitute a breach of the attorney-client privilege and loss of confidential information.

3. Misrepresentation. Directors and committee members may not knowingly misrepresent facts. All Association data, records and reports must be accurate and truthful and prepared in a proper manner.

4. Interaction with Members. To ensure efficient management operations, avoid conflicting instructions from the Board to management and avoid potential liability, committee members and Directors shall observe the following guidelines:

- The President shall serve as liaison between the Board and management and provide direction on day to day matters.
- Except for the President, committee members and Directors may not give direction to management, or vendors.
- Directors may not contact management after hours unless there is an emergency representing a threat of harm to persons or property.
- If Directors or committee members are contacted with complaints, the member shall be instructed to contact management or the Board as a whole.
- No director may threaten or retaliate against a member who brings information to the Board regarding improper actions of a director or committee member.
- Directors and committee members are prohibited from harassing or threatening vendors, Directors, committee members, and residents, whether verbally, physically or otherwise.

5. Proper Decorum. Directors and committee members are obligated to act with proper decorum. Although they may disagree with the opinions of others on the Board or committee, they must act with respect and dignity and not make personal attacks on others. Accordingly, Directors and committee members must focus on issues, not personalities and conduct themselves with courtesy toward each other and toward managing agents, vendors and members of the Association. Directors shall act in accordance with Board decisions and shall not act unilaterally or contrary to the Board's decisions.

C. WHEN CONFLICTS OF INTEREST ARISE

Situations may arise that are not expressly covered by this policy or where the proper course of action is unclear. Directors and committee members should immediately raise such situations with the Board. If appropriate, the Board will seek guidance from the Association's legal counsel.

1. Disclosure & Recusal. Directors and committee members must immediately disclose the existence of any conflict of interest, whether their own or others. Directors and committee members must withdraw from participation in decisions in which they have a material or conflict of interest.

2. Violations of Policy. Directors and committee members who violate the Association's ethic's policy are deemed to be acting outside the course and scope of their authority. Anyone in violation of this policy may be subject to disciplinary action, including, but not limited to:

- censure,
- removal from committees,
- removal as an officer of the Board,
- request for resignation from the Board,
- recall by the membership, and
- legal proceedings.

Prior to taking any of the actions described above, the Board shall appoint an executive committee to investigate the violation. The committee shall review the evidence of violation, endeavor to meet with the director/committee member

believed to be in violation, confer with the Association's legal counsel, and present its findings and recommendations to the Board for appropriate action. The Board shall endeavor to meet with the director/committee member in executive session prior to imposing disciplinary action against that person.

I, the undersigned, understand that I have various duties to the Association and that I will be in breach of such duties if I divulge confidential information to persons who are not on the Board of Directors. I further understand that these duties extend into the future so that I will be bound by this confidentiality requirement even after I no longer serve on the Board of Directors.

Director's Name

Director's Signature

Date