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## CODE OF ETHICS AND CONFLICT-OF-INTEREST POLICY

Adopted on \_\_\_\_\_

The following principles and guidelines constitute a code of conduct regarding ethics and conflicts of interest (referred to as the Code) that shall apply to each Board member, officer, committee member, and other volunteer leader (individually or collectively referred to as Volunteer Leader(s)) serving this homeowners association ("Association"):

### I. *Ethics for Volunteer Leaders.*

A. Volunteer Leaders shall use their best efforts at all times to make decisions that: (1) represent the interests of the members of the Association; (2) are consistent with high principles; and (3) protect and enhance the welfare and property values of the Association's owners and residents.

B. Each Volunteer Leader agrees to focus his or her efforts on the mission of the Association and to do nothing that would violate the trust of the Association's members. Volunteer Leaders agree to approach all Association issues with an open mind, prepared to make decisions that the Volunteer Leader believes to be in the best interests of the entire Association.

C. Volunteer Leaders shall not divulge to persons other than Board members, the Association's professional advisers, and others whose work is essential to the work of the Board as a whole any information that is: (1) received in confidence during executive sessions; or (2) confidential or privileged information received by a Volunteer Leader in the course of the exercise of the Volunteer Leader's right to inspect or copy books, records, and documents of the Association.

D. Volunteer Leaders shall protect the confidentiality of the personal lives of other Volunteer Leaders, owners, residents, and employees.

E. No Volunteer Leader may engage in any writing, publishing, or speech that defames or disparages any other Volunteer Leader, owner, or resident of our community.

F. Volunteer Leaders shall not interfere with the system of management established by the Board as a whole and the Association's management personnel. Volunteer Leaders will not harass, threaten, or attempt through any means to control, intimidate, extort, or instill fear in another Volunteer Leader, owner, resident, management personnel, employee, or staff member.

G. When acting in a meeting of the full Board or committee, Volunteer Leaders shall exercise only their official authority, except to the extent other specific authority has been

delegated by the Board to that Volunteer Leader. Volunteer Leaders shall not interfere with any employees or contractors who are implementing their duties under a contract with the Association. All communications with employees or contractors must go through the Association or management personnel specifically authorized to conduct such communications.

H. The Directors must operate, make decisions, and act collectively as a Board. No single director has any power or authority to act individually or independently of the Board unless: (1) the Board specifically grants, by a majority vote, an individual Director such authority; or (2) the Association's governing documents provide for such individual authority.

I. All language by Volunteer Leaders and others present at Board meetings and membership meetings shall be considerate and professional. Personal attacks against other Volunteer Leaders, owners, residents, or employees are not consistent with the best interests of the Association and are prohibited.

J. The Board and the Association will not tolerate the abuse of drugs, alcohol, or other substances by any Volunteer Leader in circumstances that either impair the Volunteer Leader's ability to perform his or her responsibilities or are likely to reflect poorly on the Association.

K. It is understood that differences of opinion will occur. Such differences of opinion should be expressed in a clear and businesslike fashion. Directors are encouraged to accept the decision of the majority of the Board, and the undersigned acknowledges the finality of a Board vote on particular issues. Once an issue has been decided by a vote of the Board, the undersigned further acknowledges that he or she will not reintroduce the issue unless there is an intervening and substantial change in the underlying facts.

L. At the request of any Director, a Board member's vote shall be recorded in the minutes of both executive and regular session minutes. Minutes need not contain a detailed record of debate. If any Board member feels that his or her vote or abstention requires explanation not included in the minutes, such Board member may place the explanation in a letter to the Association, requesting that it to be made a part of the minutes.

M. Volunteer Leader has an affirmative duty to disclose to the Board, in reasonable detail, any financial interest that the Volunteer Leader or members of his or her immediate family have in any entity that may become a party to a contract or transaction with the Association.

## II. *Conflicts of Interest.*

A. No Volunteer Leader may use his or her position for personal advantage or for the advantage of the Volunteer Leader's family members or friends or to enhance his or her financial status or the financial status of a family member or friend through the use of certain contractors or suppliers. Any direct or indirect financial interest that a Volunteer Leader or an immediate family member of a Volunteer Leader has in a contractor or supplier or other potential conflict of interest must be disclosed to the Board of Directors,

and following that disclosure, any transaction or contract with the contractor or supplier must be approved by the disinterested Directors or by the Association's members (as appropriate) before any such contract may be approved.

B. No Volunteer Leader shall knowingly misrepresent any fact to anyone for the purpose of advancing a personal cause or influencing the owners or residents to place pressure on the Board to advance that Volunteer Leader's personal cause or agenda.

C. No Volunteer Leader shall solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing worth \$\_\_\_\_\_ or more during any fiscal year from any resident, contractor, supplier, or person who is seeking to obtain contractual or other business or financial relations with the Association.

D. Volunteer Leaders shall not promise anything to any contractor, subcontractor, or supplier during negotiations unless approved by the Board as a whole. No Volunteer Leader may seek to implement a contract that has not been duly approved by the Board, although it shall not be improper for a Volunteer Leader to express his or her opinion on the merits of competing contract proposals or bids.

E. Directors and Committee Members shall at all times refrain from voting on any of the following matters:

1. Discipline of that Director or Committee Member;
2. An assessment against that Director or Committee Member for damage to the common areas;
3. A request by that Director or Committee Member for a payment plan for overdue assessments;
4. A decision whether to foreclose on a lien on the separate interest of that Director or Committee Member;
5. Review of a proposed physical change to the separate interest of the Director or Committee Member; or
6. A grant of exclusive use common area to that Director or Committee Member.

### **III. *Procedure for Determining Violations of the Code; Possible Sanctions.***

A. Each new Volunteer Leader shall be given a copy of this Code and shall be asked to sign a statement to the effect that he or she has been given a copy, has read it, and agrees to abide by it.

B. In the event that one or more Board members believes that this Code has been violated or that a conflict of interest as defined in this Code or by law exists, the Board shall notify the alleged violator of a hearing to be held in a properly noticed executive session of the Board (described on the agenda as a personnel matter) at least 10 days before the date of the hearing. The notice shall state the nature of the alleged violation and/or conflict of interest and the date, time, and place of the executive session hearing.

C. At the hearing, the Board shall permit the accused Volunteer Leader to present evidence and make argument on the issues. Provided that the Volunteer Leader has given the Board written notice at least 5 days before the date of the hearing that the Volunteer Leader intends to be represented by counsel, counsel may also appear.

D. After the Volunteer Leader is heard and excused, the Board shall deliberate, and if a majority of the Directors so deliberating finds a violation of the Code (or a conflict of interest as otherwise provided by law), the Board shall determine appropriate sanctions to be imposed, if any. Such sanctions may include private censure, public censure, removal of a Committee Member, removal of a Director from office, denying a Director access to executive sessions and confidential materials for a specified period of time not to exceed 6 months, and/or a petition for removal of a Director from the Board. The judgment of the Board, which shall include a statement of the facts on which it bases its decision, shall be sent to the accused Volunteer Leader within 10 days after the date of the hearing, and any discipline shall take effect no sooner than 5 days after the ruling is sent to the Volunteer Leader.

#### ***IV. Review and Execution; Copies.***

Each new Volunteer Leader shall be given a copy of this Code to review and execute, indicating his or her agreement to abide by its provisions, including the propriety of the possible sanctions described above. Refusal to execute a copy of the Code shall be grounds for denying a Volunteer Leader other than a Director the proposed position. In the case of a Director, refusal to execute a copy of the Code after election may be published to the membership of the Association. Copies of the signed Code shall be kept with the minutes of the Association.

I, the undersigned, acknowledge receipt of the Code; by my signature on the date indicated below, I agree to abide by the Code; and I acknowledge the propriety of the possible sanctions for violation of the Code set forth in paragraph III.D. above.

Date: \_\_\_\_\_

Name: \_\_\_\_\_ Signature: \_\_\_\_\_