

**DEARBOUT COMMUNITY ASSOCIATION, INC.**

**ADMINISTRATIVE RESOLUTION NO.**

(Establishment of a Code of Conduct for the Board of Directors and Committee Members)

WHEREAS, the Bylaws of the Dearbought Community Association, Inc. (“Association”) grants the Board of Directors (“Board”) the powers and duties necessary for the administration of the affairs of the Association; and

WHEREAS, the “powers and duties” granted by the Bylaws empower the Board with the authority to establish and enforce rules and regulations in connection with the governing of the Association; and

WHEREAS, the Board has established the goal of conducting the business of the Association with high levels of dignity, civility, and respect for the Association as an entity and for the individual members of the Association, Board, and any Committees (for the purposes of this Resolution, the term “Board member” shall also encompass any committee members that have been duly appointed by the Board of Directors); and

WHEREAS, the Board of Directors has decided to establish a code of conduct for its Board and committee members in order to further its efforts to accomplish its goal.

NOW, THEREFORE, BE IT RESOLVED that the Board adopts the following code of conduct as its formal policy:

**I. PROHIBITED CONDUCT**

- A. No Board member shall interfere with the system of management established by the Association’s governing documents, the Board by resolution and the Management Agent through contract.
- B. No Board member shall interfere with the duties of any employee of the Association or harass, threaten or attempt through any means individually to control or intimidate an employee of the Association. Each Board member shall maintain a professional relationship with the staff and Management Agent of the Association. No Board member shall use the Association staff for personal or personal business projects.
- C. No Board member shall be in violation of the Association’s governing documents, including its rules and regulations, for any reason. Failure to remedy any violation of the Association’s governing documents or properly appeal such charges, within thirty (30) days is grounds for the initiation of a removal action.

- D. Board members shall not use positions as Board members for their own private gain (or for the individual advantage of their friends or supporters) as distinct from the common interest of all unit owners.
- E. No Board member shall receive any compensation from the Association for serving as a Board member, except for reimbursement of appropriate and authorized out-of-pocket expenses.

## II. CONDUCT AND DECORUM AT MEETINGS

- A. Board members shall exercise their best efforts to attend and be on time at all meetings or functions of the Association and shall plan to be in attendance at all times during the proceedings. Whenever a Board member knows in advance that he cannot attend a meeting, will be late for a meeting, or will have to leave a meeting early, he shall exercise his best efforts to inform the President in advance of the meeting.
- B. If a Board member is absent from three (3) consecutive regular meetings of the Board, he agrees that he cannot properly serve the Association and will voluntarily resign from the Board unless good cause for the absences is provided to and approved by the Board.
- C. When a member of the Board wishes to speak at a meeting or function of the Association, he shall wait for the President to formally recognize him for the purpose of granting him the floor. No member of the Board shall speak out of order or without recognition from the President, nor shall any member of the Board engage in any activity, which interrupts or distracts any member of the Board when another member of the Board has the floor for discussion purposes. The President shall not recognize any member of the Board more than once on any motion until all members of the Board who wish to discuss the motion have had an opportunity to speak. At all times, the President shall determine who has the floor to speak and may impose uniform time limitations.
- D. Board members shall not use inappropriate language or verbal tone during their debate of the issues. Any actions (including physical gestures or body language) or comments designed to insult, demean, or attack the personal character of any member of the Board, the Board of Directors as an entity or any person in attendance shall be strictly prohibited. Board members owe a special duty of civility to the Association's membership and shall be particularly courteous to the individual members at all times during official functions of the Association.
- E. The President shall have the unilateral authority to enforce the Code of Conduct or may do so in response to the unseconded request of any other member of the Board if the President agrees with the request. The first step of enforcement shall

consist of the President issuing a call to order to the particular member of the Board, who then must obey the directive immediately; however, the member called to order shall have the right to appeal the President's ruling, which appeal shall be open to debate and vote of the entire Board of Directors.

- F. In any instance of a flagrant or repeated violation of this Code of Conduct, the President may unilaterally issue a ruling to that effect against the offending member and may require the offending member of the Board to leave the premises of the meeting. Any such ruling shall not be appealable by the offending member and must be immediately obeyed, unless another member of the Board wishes to appeal the President's ruling, in which case the appeal shall be open to debate and vote of the entire Board of Directors.
- G. The Board of Directors further reserves additional enforcement powers, as set forth in the Association's Bylaws.

### III. DUTY OF RESPECT

- A. All members of the Board of Directors owe a duty of respect to the individual Board members, whether present or absent from a meeting, the Board of Directors as an entity, particularly with respect to its formal votes and formally approved policies, and the Association. Once the Board formally votes on a matter, no member of the Board shall engage in any unauthorized activity which undermines the ability of the Board to successfully effectuate the results of the vote. The duty of respect owed to the Board and the Association requires dissenting members to work within the formal procedures of the Board to voice their disagreements and/or modify or rescind the previously adopted votes or approved policies with which they disagree.
- B. All Board members shall recognize that their individual behavior is a reflection upon the Board of Directors and the Association; therefore, they shall at all times refrain from any public conduct within the community, which would bring the Board of Directors or the Association into disrepute.

### IV. DUALITIES AND CONFLICTS OF INTEREST

Board members owe a fiduciary duty to the Association, which requires them to consider only the best interests of the Association when they vote on any matter and to exclude any competing interest from their consideration. If a Board member has any duality of interest, or concerns, which compete with his fiduciary duty, or any potential conflict of any sort, then he must disclose such interest, concern, or potential conflict on the record and is encouraged to do so at the time that any relevant agenda item is addressed by the Board of Directors. If he believes that such interest or concern does not rise to the level of a conflict of interest and does not impede his ability to exercise his fiduciary duty, he must state his reasons on the record and his intent to participate in the discussion and

vote on the motion. Under such circumstances, the other Board members shall presume good faith on the part of their fellow Board member and shall not disapprove their fellow member's right to participate in the discussion and vote without just cause. Notwithstanding the foregoing, failure to abstain from the vote on or discussion of any topic relating to his potential conflict of interest despite the objections of his fellow Board members may constitute a breach of his fiduciary duties to the Association, which could subject such Board member to personal liability.

Under no circumstances should any Board member participate in the discussion or vote on any matter in which the member has an undisclosed or actual conflict of interest, as defined below. Failure to abstain from the vote on or discussion of any topic relating to his potential conflict of interest despite the objections of his fellow Board members may constitute a breach of his fiduciary duties to the Association, which could subject such Board member to personal liability.

For the purposes of this resolution, the term "conflict of interest" shall include, but not be limited to, the following situations:

1. Whenever the Board of Directors intends to review a case involving the compliance of a Board member with the Association's legal requirements, the relevant Board member should recuse himself from the discussion and voting on the matter.
2. Whenever the Board of Directors intends to review a contract or expenditure of funds involving the direct pecuniary interest of a Board member, the relevant Board member should recuse himself from the discussion and voting on the matter.

No Board member should vote to approve the expenditure of funds for the acquisition of services or goods from any Board member, relative of a Board member, or entity which is affiliated with any of the Board members or their relatives, unless the Board member with such relationship discloses the relationship on the record and there is convincing reason to believe that a vote in favor of such an expenditure would be in the best interests of the Association.

Under no circumstances shall any Board member solicit a gift or gratuity of any kind from any vendor or professional serving the Association (or attempting to obtain business from the Association.) Any member of the Board who receives an unsolicited gift or gratuity must promptly disclose his receipt of the gift or gratuity at a duly convened meeting of the Board. The Board shall then decide on the public record whether the member of the Board should return the gift, turn it over to the Association, or, if the gift is of innocuous consequence or nominal value, keep the gift. This prohibition does not cover situations where members of the Board meet with a vendor or professional to discuss business matters of the Association at times when it would be ordinary to eat breakfast, lunch, or dinner

and the vendor or professional pays for the meal. Such circumstances shall be considered ordinary and acceptable acts of professional courtesy on the part of the vendor or professional.

## V. CONFIDENTIALITY REQUIREMENT

- A. All Board members shall recognize that matters pertaining to the Association's business conducted in executive session should be kept confidential and not disclosed to the community membership or to members of the public at large. The same applies to any written communications from legal counsel denoted as a confidential document. Board members shall not disclose Confidential Information (as that term is defined below) under any circumstances to any person not on the Board without the express consent of a majority of the Board voting at a duly convened meeting of the Board of Directors.
- B. In any instance when a Board member might be confused about the confidentiality requirements and in order to minimize the possibility of inadvertent disclosure, Board members shall consult with the President before making any disclosure to any third party which might arguably release any Confidential Information covered by this Resolution, as that term is defined below.
- C. All Confidential Information is the property of the Association. Board members shall keep in strict confidence any and all information, documentation, records and devices which contain Confidential Information, and, upon the expiration of the Board member's term, shall return all Confidential Information in his possession to the Association and shall keep confidential all non-tangible Confidential Information.
- D. For the purpose of this Resolution,
  - 1. The term "Confidential Information" shall mean any information related to:
    - a. communications with the Association's legal counsel or professional consultants;
    - b. pending litigation;
    - c. pending matters involving formal proceedings for enforcement of the governing documents or rules or regulations of the Association; and
    - d. pending negotiations for transactions involving the Association and agreements containing confidentiality requirements.

2. Confidential Information shall not be deemed to include information:
  - a. that at the time of disclosure is available to the general public through public records or records of the Association which the Association must make available to the members for inspection or copy under state law; and
  - b. that an administrative agency or court of competent jurisdiction orders to be disclosed, provided however, that upon receipt of any order, subpoena, or summons of any kind, before providing the information or document requested, the Board member shall give the Board immediate notice thereof in order to allow the Board an opportunity to protect its Confidential Information. The Board member shall provide all necessary cooperation for this purpose.

## VI. ENFORCEMENT

- A) The Board is responsible for self-governance including the investigation of any claims of misconduct made about any member and disciplinary action for any claims of misconduct found to be valid. The Board may enforce this resolution as follows:
  1. Complaints. Complaints about any officer or director may be made to the President or any other officer or director. Anyone receiving a complaint shall promptly forward it to the President for investigation. Complaints about the President shall be promptly forwarded to the Vice President or, in the absence of the Vice President, to any other officer of the Board.
  2. Notice of Investigation. The President shall provide a written notice to the Board member whose conduct has been called into question, advising the member that an investigation is being initiated. The President shall also provide written notice to the person who submitted the complaint that the complaint is being reviewed by the committee. For each complaint that the President believes is potentially actionable, the President shall authorize an investigation into its specific facts or circumstances to whatever extent is necessary in order to clarify, expand or corroborate the information provided in the complaint and in order to assist the Board in determining whether charges should be brought against the Board member. The President may be assisted by members of the Board (other than the charging member or complainant), legal counsel and outside experts, as needed, so long as all persons involved in the investigation agree to maintain the complete confidentiality of the investigation. The President may contact the person who submitted the complaint, the member who is the subject of the charge, or any other persons who may have knowledge of the facts and circumstances surrounding the complaint.

3. Board Determination. The Board shall either dismiss the complaint (with or without prejudice) or prepare written charges against the Board member. Written charges shall explain the alleged conduct and why such conduct constitutes grounds for disciplinary action. The Board shall also produce a written report with the results of its investigation. The person who made the complaint shall be notified of the Board's determination but shall not be provided with a copy of any written charges or the report. The member in question shall be notified of the Board's determination. Copies of written charges and the committee's report shall be provided to the President, the Board members (other than the charging member or complainant), and the member against whom the charges were filed.
4. Hearing. If the committee recommends charges be brought, it shall hold a hearing, in person, by telephone or video conference. The President shall present the Board's report with the assistance of the Association's legal counsel. The charged Board member may present a defense and may be represented by legal counsel, at his own expense. The President shall determine the rules of evidence that shall apply to the hearing and may limit the presentation of oral or written testimony by witnesses. The charged Board member may waive the right to a hearing in which case the Board may deliberate based on its report.
5. Determination of Violation. Upon completion of its investigation and the hearing, the Board shall determine by majority vote, upon a preponderance of the evidence, whether or not there has been a violation of the Code of Conduct. If a violation has occurred, the Board shall recommend an appropriate remedy, which may include: a private reprimand, public censure, or initiate a removal action.

Resignation. If a Board member who is the subject of a complaint voluntarily resigns his position on the Board, in writing, during the pendency of a complaint, the complaint shall be dismissed without prejudice and without any further action by the Board. In the event of a resignation, the person who made the complaint shall be notified in writing of the fact and date of the resignation and that the Board has dismissed the complaint without prejudice.