

# VILLAGE PARK COMMUNITY ASSOCIATION

## CODE OF CONDUCT FOR DIRECTORS AND COMMITTEE MEMBERS

Adopted by the Board April 24, 2014;

Reaffirmed by the Board June 26, 2014

The Board of Directors has adopted the following ethics policy for its board members and committees. This policy is intended to provide guidance with ethical issues and a mechanism for addressing unethical conduct.

### 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:

- regularly attend board meetings;
- review material provided in preparation for board meetings;
- review the Association's financial reports;
- make reasonable inquiry before making decisions; and,
- make decisions in good faith, putting the Association's interests before the director's own interests or the interests of the director's relatives.

### 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. Conflicts of Interest

##### a. Definitions.

"Conflict of Interest" relates to any situation where an Interested Person's Personal Interests may be incompatible or conflict with his or her Association responsibilities. This includes, but is not limited to, situations involving:

- an Interested Person or Affiliated Person receiving a Personal Benefit;
- an Interested Person using his or her special knowledge on the Board or his or her position on the Board to their personal or financial advantage;
- an Interested Person soliciting or receiving any compensation from the Association for serving on the board or any committee;
- an Interested Person soliciting or receiving any gift, gratuity, favor,

entertainment, loan, or any other Benefit for themselves or for an Affiliated Person from a person or company who is seeking a business or financial relationship with the Association;

- an Interested Person seeking preferential treatment for themselves or Affiliated Persons, an Interested Person using Association property, services, equipment or business for Personal Benefit of themselves or Affiliated Persons.

"Interested person" is defined as any Association director, officer, or committee member.

"Affiliated Persons" is defined as including the following:

- A spouse, domestic partner, child, mother, father, brother, or sister, or spouse of a brother or sister; and,
- Any business, corporation, or organization of which an Interested Person or Affiliated Person participates in management or are employed by, or are, directly or indirectly, a debt holder or the beneficial owner of any class of equity securities.

"Benefits" include money, privileges, special benefits, gifts or other items of value.

"Personal Benefit" is defined as a Benefit, the effect of which on the recipient is distinguishable from the effect on all other members of the Association.

"Personal interest" is defined as any activity which directly or indirectly results in a Personal Benefit to an Interested Person or to an Affiliated Person.

**b. When Conflicts Arise.**

**Disclosure & Recusal.** In connection with any actual or potential Conflicts of Interest, an Interested Person must disclose the existence of his or her Personal Benefit or Personal Interest and all material facts relating thereto to the directors considering the proposed transaction or arrangement. Such disclosure must occur as soon as the actual or potential Conflict of Interest is known to the Interested Person. After disclosure and after any discussion with the Interested Person, the Interested Person shall leave the meeting while the determination of a Conflict of Interest is discussed and voted upon by the remaining directors. If it is determined that a Conflict of Interest exists, the Interested Person may not participate in any further discussions, deliberations or decisions regarding the matter involved.

Directors are further subject to the provisions of California Corporations Code Section 7233 – Transactions with Directors – and must comply with all requirements, restrictions and processes set forth in that Section. Additionally, situations may arise that are not expressly covered by that statute or this policy or where the proper course of action is unclear. Directors and committee members should immediately raise such questions with the board. If appropriate, the board will seek guidance from the association's legal counsel.

## 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 or for sources of income to them or their relatives. Except when disclosure is duly authorized or legally mandated, no director may disclose confidential information. Confidential information includes, without limitation:

- private personal information of fellow directors;
  - private personnel information of the Association's employees;
  - disciplinary actions against members of the Association;
  - assessment collection information against members of the Association; and,
  - with regard to 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 general counsel or as authorized by a majority vote of the board. Failure to follow these procedures could constitute a breach of the attorney-client privilege and result in the loss of confidential information.
- a. Accuracy of Information. 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.
- b. Interaction with Employees. 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 of the board 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, employees or vendors. Notwithstanding this guideline, any director may contact management, employees or vendors to request copies of documents or other information related to the Association's activities and business;
  - 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 by employees with complaints, the employees shall be instructed to contact management or the board as a whole;
  - No director may threaten or retaliate against an employee who brings information to the board regarding improper actions of a director or any committee member;
  - Directors and committee members are prohibited from harassing or threatening employees, vendors, directors, committee members, and

owners, whether verbally, physically or otherwise.

### **3. Professional Behavior.**

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 employees, 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.

## **D. VIOLATIONS OF POLICY**

Directors and committee members who violate the association's ethics policy are deemed to be acting outside the course and scope of their authority. Anyone in violation of this policy may be subject to immediate 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.