



ETHICS POLICY AND CODE OF CONDUCT

CREATED BY THE BOARD OF DIRECTORS
MARCH 16, 2022

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BOARD OF DIRECTORS

ETHICS POLICY & CODE OF CONDUCT

DELTA COVES MAINTENANCE CORPORATION

The Board of Directors (“**Board**”) for the Delta Coves Maintenance Corporation (“**Association**”) has adopted the following Ethics Policy & Code of Conduct (“**Policy**”). This Policy is intended to provide guidance as to the duties and conduct of members of the Board, as well as to provide avenues through which breaches of this Policy may be addressed.

DUTIES OF DIRECTORS

The duties of Directors are principally set forth in the Association’s governing documents, and include, among others, the duty to enforce the Association’s governing documents, to levy and collect assessments, to maintain and repair the common areas, to insure the Association’s assets, and to make decisions which further the purposes of the Association. The Directors serve as fiduciaries that must act in the best interests of the Association and its members as a whole. As fiduciaries, the Directors are held to a high standard of conduct and must uphold two (2) primary fiduciary duties: (1) the Duty of Care, and (2) the Duty of Loyalty.

A. DUTY OF CARE

The Duty of Care generally requires the Directors to be diligent in performing their responsibilities as Directors of the Association. To that end, the Directors must regularly attend Board meetings, review information to keep apprised of matters affecting the Association and make reasonable inquiries before making decisions and/or taking any action which may impact the Association or its members.

B. DUTY OF LOYALTY

The Duty of Loyalty requires Directors to refrain from engaging in conduct that places their interests or those of others above the interests of the Association and its membership. The Duty of Loyalty is implicated in situations where a Director engages in self-dealing conduct, discloses confidential information, misrepresents information, or conducts him or herself in a manner that is or could become prejudicial to the Association.

1. Self-Dealing

Self-dealing occurs when Directors make decisions that materially benefit themselves, their friends or 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 may:

- Solicit or receive any compensation from the Association for serving on the Board;
- Make promises to vendors or members without 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, company, or corporation who is

seeking a business or financial relationship with the Association, or that has a material interest in how the Association's matters are handled;

- Seek preferential treatment for themselves, their friends or their relatives;
- Use Association property, services, equipment or business for the gain or benefit of themselves, their friends, their relatives, or third parties, except as is provided for all members of the Association.

2. Confidential Information

Directors are responsible for protecting the Association's confidential information. As such they may not use confidential information for the benefit of themselves, their friends, their relatives or any other third party. Except when disclosure is duly authorized by the Board, no Director may disclose confidential information to any persons other than fellow Directors, the Association's management or the Association's legal counsel. Confidential information includes, without limitation:

- Information discussed or shared in any Executive Session of the Board;
- Documents which are not "association records" or "enhanced association records," as defined in California Civil Code section 5200;
- Reports prepared by or on behalf of the Association's general manager;
- Private personal information of fellow Directors;
- Disciplinary actions against members of the Association;
- Assessment collection information against members of the Association;
- 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 severely prejudice the Association's interests. Such action constitutes an actionable breach of the Duty of Loyalty which could subject the Director to legal action.

The duty to protect the Association's confidential information and to refrain from unauthorized disclosure shall extend to any information obtained by the Director during his/her service on the Board, and continues to exist even after the Director is no longer serving on the Board. No individual Director has the authority to speak or act on behalf of the Association or its Board without prior authorization from a majority of the Board. Neither the Board nor any of its Directors are authorized to communicate with the membership on any item of business reserved for executive session Board meetings.

The Board may limit a Director's right to inspect corporate records under the following circumstances:

- Avoid conflicts of interest (*see e.g., Tritex Telecom, Inc. v. Superior Court* (2009) 169 Cal.App.4th 1385, 1390 (A director's absolute right to inspect and copy corporate records "is subject to exceptions and may be denied where a disgruntled director announces his or her intention to violate his or her fiduciary duties to the corporation..."));
- Protect privacy (*see e.g., Chantiles v. Lake Forest II Master HOA* (1995) 37 Cal.App.4th 914, 927 ("...the Association had a duty to guard the privacy of rights of its members

in their voting decisions...the Association's refusal to allow [the director] the unfettered access to the ballots which he demands was not unjustified."); and

- Protect from tortious acts (*see e.g., Havlicek v. Coast-to-Coast Analytical Services, Inc.* (1995) 39 Cal.App.4th 1844, 1856 ("Where the corporation determines that an unfettered inspection [by the director] will result in a tort against the corporation, it may decline the request for inspection.")).

3. Misrepresentation

Directors may not misrepresent facts or information affecting the Association's operations and/or pertaining to any matter under consideration by the Board. No statements made by an individual Director should be considered as reflective of the entire Board's position on any matter or its intended course of action, especially when those statements are made outside of a Board meeting. No Director shall post statements or information pertaining to the Association's business on any internet or other media channel, page, or forum without the Board's prior written consent. Any information pertaining to the Association's business which a Director distributes in the form of fliers, pamphlets, mailers, etc. shall include a statement disclaiming that such information is not to be considered a formal communication from the Association or the Board.

4. Proper Decorum

Directors are obligated to act with proper decorum. Although they may disagree with the opinions of others on the Board, they must act with respect and dignity and not make personal attacks on others, nor may they disclose information or take action which could prejudice the Association's interests or implicate the restrictions set forth above. Accordingly, Directors must focus on issues, not personalities, and conduct themselves with courtesy toward each other, management, vendors and members of the Association. Directors shall act in accordance with Board decisions and shall not act unilaterally without prior Board authorization. Directors shall not engage in a hostile, uncivil or defamatory course of conduct toward their fellow Directors, the Association's management, vendors, or members.

C. CONFLICTS OF INTEREST

There may be situations that arise which are not expressly covered by this Policy or where the proper course of action is unclear. Directors should immediately raise such situations with the Board. The Board shall, when appropriate, seek guidance from the Association's legal counsel on how to address such situations.

1. Disclosure & Recusal

Directors must disclose the existence of any real or potential conflict of interest, whether their own or others. Directors must withdraw from participation in decisions in which they have a material interest, or in which their actions may be influenced by a relationship with, and/or a duty owed to, other persons, companies, or corporations.

2. Violations of Policy

Directors who act in violation of this Policy are deemed to be acting outside the course and scope of their authority and in breach of their duties owed to the Association. Any Director in violation of this Policy may be subject to disciplinary action, including but not limited to: censure, removal as an officer of the Board, request for resignation from the Board, recall by the membership, and/or legal action instituted against the Director.

I have read the above Policy and I pledge to act in accordance with my obligations and duties as described above.

Signature: _____ Date: _____

Print Name: _____