

LAKESHORE COMMUNITY OWNERS ASSOCIATION BOARD MEMBER AND COMMITTEE MEMBER CODE OF CONDUCT AND COMMUNICATIONS POLICY

The Board of Directors of Lakeshore Community Association (“Association”) has adopted the following Code of Conduct and Communications Policy (“Policy”) for the Association’s directors and committee members, effective as of September 22, 2021. This internal Board and committee member Policy is intended to set forth certain protocols and expectations relating to Board and committee members’ fiduciary duties to the Association, and is intended to help ensure that each Board and committee member will act in a trustworthy, diligent, honest, professional and ethical manner while serving on the Board and/or as a committee member. This Policy applies to members of the Association, including its directors and committee members. Each director and committee member of the Association will be provided a copy of this Policy.

A. BOARD DUTIES AND STANDARDS OF CARE

The Board of Directors operates and manages the Association’s business and affairs. Therefore, the Board acts on behalf of the Association and its members. Members of committees act on behalf of the Board, at the direction of the Board. The general fiduciary duties of the Association’s Board of Directors and committee members (as applicable) include, but are not limited to, the following:

- Enforcement of the Association’s governing documents, including, but not limited to, the Association’s CC&Rs, bylaws, operating rules and internal policies;
- Collection of assessments and preservation of the Association’s financial resources; Insuring the Association’s assets against loss;
- Maintaining the common area of the Association’s development in a state of good repair; and/or
- Carrying out directives and functions pursuant to Board actions and committee charters.

To fulfill those responsibilities, each director and committee member should:

- Regularly attend Board or committee meetings, as applicable;
- Review, in advance, materials provided in preparation for Board and/or committee meetings, as applicable;
- Review the Association’s financial reports if a Board member or a member of the Association; and
- Make reasonable inquiry on agenda items and other items of business before making decisions and/or casting his/her/their vote.

In accordance with California Corporations Code Section 7231(a), commonly known as the “Business Judgment Rule”, Board members must perform their duties as a director, including, but

not limited to, duties as a member of any committee of the Board upon which the director may serve, (1) in good faith, (2) in a manner such director believes to be in the best interests of the Association, and (3) with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

B. PROFESSIONAL CONDUCT

In general, directors and committee members must conduct all dealings with third parties in good faith, in the best interests of the Association and in a manner that safeguards property and information that belongs to the Association.

1. No Private Gains or Self-Dealing

Directors and committee members shall not make any decisions that materially benefit themselves or their relatives at the expense of the Association. "Relatives" include any persons related by blood, marriage, domestic partnership or adoption, such as, for example only, a director's spouse, domestic partner, parents, siblings, children, grandchildren, mothers and fathers-in-law, brothers and sisters-in-law and sons and daughters-in-law, as well as anyone who co-owns or resides in a director's or committee member's individual property/lot at the Association's development. A "benefit" includes, without limitation, money, privileges, special benefits, gifts and other items of value.

Based on the foregoing, no director or committee member shall:

- Solicit or receive any compensation, financial or otherwise, from the Association, or any third party, for serving on the Board or any committee.
- Negotiate, provide instructions to or contract with any vendors, contractors or service providers on behalf of or for the Association without prior written Board approval.
- Solicit or receive any material gift, gratuity, favor, entertainment, loan or any other thing of value for himself/herself/themselves or his/her/their relatives from a person or company who is seeking a business or financial relationship with the Association.
- Seek or obtain preferential treatment for himself/herself/themselves or his/her/their relatives through or as a result of such person's membership on the Board or committee or as an official representative of the Association.
- Use Association property, services, equipment or business for the gain or benefit of himself/herself/themselves or his/her/their relatives, in any material respect, except as is provided for all members of the Association.

2. Conflicts of Interest.

A director who has a conflict of interest in any business before the Board shall be required to recuse himself/herself/themselves from all Board discussions, deliberations and decisions involving such business.

In accordance with Civil Code Section 5350, a director or committee member shall not vote on any of the following items (the following is not an exhaustive list):

- Discipline of the director or committee members.
- An assessment against the director or committee member for damage to the common area or facilities.
- A request, by the director or committee member, as applicable, for a payment plan for overdue assessments.
- A decision whether to foreclose on a lien on the director's or committee member's, as applicable, individual property/lot.
- Review of a proposed physical change to the director's or committee member's individual property/lot.
- A grant of exclusive use common area to the director or committee member.
- Transactions involving the director (as described in California Corporations Code Section 7233).

3. No Release of Confidential Information.

Directors and committee members are responsible for protecting the Association's confidential information, including both attorney-client privileged information and documents, executive session Board meeting information and documents, homeowners' personal information, etc. As such, no director or committee member may use the Association's confidential information for the benefit of their relatives, share any confidential information obtained as a Board or committee member with any non-Board members or third parties (other than agents, representatives, employees or attorneys of the Association who also are bound to maintain the confidentiality of the information received) or generally disseminate any confidential information obtained as a Board or committee member to any non-Board members or third parties.

"Confidential information" includes, without limitation:

- Private or personal information about any Association member or any resident of the Association's development.
- Private or personal information about any Association employees and personnel.
- Disciplinary actions against Association members.
- Information about any Association member's delinquent assessment account.
- The negotiation and formation of contracts with vendors, contractors or service providers.
- Legal matters in which the Association is or may be involved.

Directors and committee members may not discuss the merits of pending disciplinary or legal matters in which the Association is involved with persons not on the Board, other than with management and Association legal counsel. Failure to follow this restriction may constitute a waiver of the attorney-client privilege and result in the loss of legal protections for confidential information of the Association. No director may waive the Association's attorney-client privilege, except with the advance written approval of the Board.

4. Accuracy of Information

Directors and committee members may not knowingly misrepresent facts and should refrain from disclosing information when not fully informed regarding any matter. All Association data, records and reports must be accurate and truthful in all material respects and be prepared in a proper manner.

5. Interaction with Management and Other Parties

To ensure efficient management operations, avoid conflicting instructions from the Board to management to committee members, and avoid potential liability of the Association, directors and committee members shall observe the following guidelines:

- The Board President shall serve as liaison between the Board and management and provide direction to management on day-to-day matters. Should the Board President fail to carry out the management directives of the Board, two other Board members may access or communicate with management and provide direction on matters already decided by the Board.
- The Board President shall serve as liaison with the Association's legal counsel. Should the Board President fail to carry out legal directives of the Board, two other Board members may access or communicate with Association legal counsel and provide direction on matters already decided by the Board.
- Directors and committee members may not give direction to management, employees, vendors, contractors or service providers, unless expressly authorized by the Board or this Policy to do so.

No director or committee member may interfere with the conduct of the Board or committee, as applicable, during meetings or at any time management or a designated Board or committee member is carrying out the decisions of the Board or committee.

- Directors and committee members are prohibited from harassing, threatening or intimidating other directors, management, employees, committee members, vendors, contractors, service providers, Association members or residents of the Association's development, whether orally, in writing, physically or otherwise; directors and committee members shall also take reasonable efforts to prevent their family members, guests, tenants and invitees from engaging in such conduct.
- Committee members shall not communicate with members on matters related to their

committee and, instead, shall direct any and all communications to their respective committee, the Board and/or management. Committee members shall direct members to contact management when confronted with questions or comments.

Nothing in this Section shall limit the Board from appointing an officer other than the President to serve any function set forth hereinabove.

6. Professional Behavior

Directors and committee members are obligated to act with proper decorum during Board or committee meetings and at any time they are carrying out the business of the Association and/or their respective committee. Although directors and committee members may disagree with the opinions of others on the Board or committee, or with the vote of a majority of the Board or committee, each director and committee member must treat all other Board and committee members with respect. Accordingly, directors and committee members must endeavor to conduct themselves with courtesy and professionalism toward each other, management, employees, vendors, contractors, service providers, Association members and residents of the Association's development. A decision of a majority of the Board shall be considered a decision of the Board, and each Board and committee member, as applicable, shall carry out and support the decisions of the Board, shall act in accordance with Board decisions and shall not act unilaterally or contrary to the Board's decisions.

7. Policy Against Tape Recording or Video Taping Board, Committee and Association Meetings

Board meetings and Association member meetings are open to Association members only. Moreover, Association members in attendance at those meetings have the right to speak freely during homeowner forum without the fear or intimidation of being recorded without their consent. Finally, the Board has the authority to adopt rules regulating the conduct of attendees at Board and member meetings. As such, it is the policy of the Board that the taping or recording, of whatever nature, of Board or Association meetings by any persons (Association members, directors or otherwise) is strictly prohibited; this also applies to committee meetings.

8. SOCIAL MEDIA POLICY

Members of the Board and committees, while acting within their official capacity as a Board or committee member, shall not communicate, in any manner, using social media unless authorized, in writing, by the Board of Directors or management. For purposes of this section, "social media" includes, but is not limited to: Facebook, Instagram, SnapChat, Nextdoor, etc.

C. ADHERENCE TO DIRECTOR QUALIFICATIONS

Each Director shall be required to comply with any qualifications for Directors and committee members, as applicable, as may be set forth in the Association's election rules and/or Bylaws to the extent permissible under applicable law.

D. VIOLATIONS OF POLICY

Directors and committee members who violate any of the provisions of this Policy shall be deemed to be acting outside the course and scope of their authority and may be subject to discipline in accordance with the Association's governing documents.

Disciplinary measures that may be imposed against an individual director or committee member for failure to comply with this Policy include, without limitation:

1. Censure, public and/or private.
2. Removal as an officer of the Board or removal as a committee member.
3. Excluded from participating in executive session meetings, in whole or in part.
4. Recall by the membership (for Board members).
5. Legal action.

Notwithstanding anything in this Policy to the contrary, all committees, and all committee members, shall at all times serve at the pleasure of the Board. Therefore, the Board may remove members from committees and/or dissolve committees at any time, with or without cause.