

Pearson Farms HOA

RESOLUTION OF THE BOARD OF DIRECTORS
ADOPTING BOARD ETHICS AND CONFIDENTIALITY POLICY

ADOPTED: September 15th, 2022

The undersigned, being the President and Secretary of Pearson Farms HOA ("Association"), do hereby certify and attest that the Board of Directors of the Association duly adopted the following resolution and policy at its Sept 15th, 2022 Board meeting:

RESOLUTION

THAT WHEREAS, the Association is a nonprofit corporation duly incorporated in the State of North Carolina under Chapter 55A of the North Carolina General Statutes, and is accordingly governed by the provisions of that Chapter, as well as Chapter 47F of the North Carolina General Statutes (the Planned Community Act), and by its own corporate charter, bylaws, Robert's Rules of Order and other generally applicable common law in the State of North Carolina establishing a fiduciary duty on the part of Board members of the Association, including its directors and officers; and

WHEREAS, Board members, including directors and officers, are subject to the North Carolina General Statutes, specifically to NCGS 55A-8-30 (General standards for directors) and NCGS 55A-8-42 (Standards of conduct for officers), which generally provide that directors and officers shall discharge their duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner reasonably believed to be in the best interests of the corporation. This Policy supplements these statutory standards of conduct. Additionally, officers and directors have a fiduciary duty to the Association and its members; and

WHEREAS, the Board of Directors believes it to be in the best interests of the community and of those serving on the Board to adopt a policy recognizing these obligations and documenting the Association's and the Board members' commitment to them,

NOW, THEREFORE, BE IT RESOLVED:

APPLICABILITY AND ACKNOWLEDGMENT OF POLICY

1. This Ethics and Confidentiality Policy ("Policy") applies to Board members, including directors and officers of the Association, in their service on the Board of Directors, and also applies to the service of any officer or director on any Committee of the Association.
2. Board members, including directors and officers of the Association, and any candidates who shall stand for election to such positions, shall be required to sign the attached Acknowledgment of Ethics and Confidentiality Policy ("Acknowledgment"), effective upon its adoption as to sitting directors and officers, or upon agreeing to be nominated for election in the case of candidates. The term "Board member" includes both directors and officers unless otherwise noted.
3. This Policy is intended to govern conduct of the Board members. This Policy is not intended to create any right of action for any member of the Association against any Board member and no such right of action is created by the adoption of this Policy or by any Board member signing the

such right of action is created by the adoption of this Policy or by any Board member signing the Acknowledgment of this Policy.

4. This policy is not intended to be punitive but to provide clarity for board members, officers and community members in setting expectations and to indicate to the members of the Association the Board's commitment to transparency and to the fiduciary duties imposed by virtue of the office to which each Board member has been elected.

ETHICS AND CONFIDENTIALITY POLICY

5. Board members shall strive at all times to serve the best interests of the Association as a whole regardless of their personal interests and social connections.
6. Board members shall use sound judgment to make the best possible business decisions for the Association, taking into consideration all available information, circumstances and resources, being sure to carefully review all pertinent information available, and calling upon the Association's professional advisors if necessary.
7. Board members shall act within the boundaries of their authority as defined by law and the governing documents of the Association and by the offices and duties to which they are appointed by the board.
8. Board members shall abide by the provisions of the governing documents of the Association. If any provision is unclear or appears unreasonable in a particular circumstance, the Board as a whole, in consultation with its professional advisors, shall determine how to proceed.
9. The Board shall keep the residents informed and provide realistic opportunities for them to comment on decisions facing the Association.
10. Board members shall perform their duties impartially and without bias for or against any individual or group of residents. Any possible bias should be disclosed to the Board and the member shall consider recusing him- or herself from deliberations and decisions which are or might be affected by any possible bias, except that any Board member with a conflict of interest, as provided by NCGA 55A-8-31 (attached as Exhibit to this Policy), shall recuse himself or herself from the vote on any transaction involving the Association. Simply knowing the individuals or facts involved in a particular matter does not by itself mean the Board member is biased.
11. Board members shall disclose all personal or professional relationships with any company or individual which has a matter pending before the Board or which is seeking to have a business relationship with the Association. This Policy supplements North Carolina's Nonprofit Corporation Act, specifically, NCGS 55A-8-31 (Conflicts of Interest). Any Board member with a conflict of interest, as provided by NCGA 55A-8-31, shall recuse himself or herself from the vote on any transaction involving the Association or matter pending before the Board.
12. Board members will conduct open, fair and well-publicized elections.

13. Board members will engage in candid discussions, respecting each other and sharing opposing views so as to fully vet the issues presented for decision and action by the Board. However, following a decision or action of the Board, Board members should always speak to all those outside the Board deliberations with one voice, supporting all duly adopted board decisions, even if the board member was in the minority regarding actions that may not have obtained unanimous consent.
14. Board members shall not engage in debates, post information, or attempt to answer questions regarding Board matters on any social media platform or via multi-participant email threads, referring all such matters instead to the full Board for an appropriate response to any member concerns.
15. Board members shall not reveal confidential information provided by contractors or share information about potential contracts with the Association with anyone outside the Board, and particularly with those bidding for Association contracts, unless specifically authorized by the Board.
16. Board members shall keep strictly confidential all legal matters, negotiations and communications with the Association's legal counsel unless specifically authorized by the Board, in order to preserve the attorney-client privilege associated with those communications.
17. Board members shall keep strictly confidential all financial details concerning individual residents and shall not divulge personal information about any owner, resident, or employee that was obtained by virtue of his or her position on the Board.
18. Board members shall not reveal to any person the decisions and discussions made at any meeting of the Board which is closed or held in executive session. The foregoing does not apply to the decisions of the Board made in executive session which are stated in any minutes of that Board meeting where the records of those minutes are required by law to be made available to the members of the Association or to a court or a third party by court order.
19. Board members shall not make unauthorized promises or statements or take any actions which have not been authorized by the board as a whole or otherwise delegated to that Board member in the regular course of his or her duties as an officer.
20. Board members shall not advocate for or support any action or activity that violates a law or regulatory requirement or any decision, resolution or policy of the board or Association.
21. Board members shall not use their positions or decision-making authority for personal gain or to seek advantage over another resident.
22. Board members shall not spend or commit to spending Association funds for any unbudgeted or explicitly unauthorized purpose or use Association property for any personal use or benefit not offered or available to all residents in general.
23. Board members shall not accept any gifts, directly or indirectly from any contractor, supplier, vendor or other person doing business with or seeking to do business with the Association. Board members are not restricted from accepting gifts from members of the Association, however the offering or acceptance of any such gifts shall be disclosed to the Board when any decision

about the member who has offered or made the gift is before the Board; and a Board member shall not accept such a gift when the intended purpose of the gift is to influence the Board member or if the Board member would be influenced by the gift.

24. Board members shall not misrepresent known facts on any issue involving Association business.
25. Board members shall not make personal attacks on other board members, staff or residents.
26. Board members shall not coerce, harass, threaten, or attempt through any means to improperly control or instill fear in any Board member, owner, resident, employee, or contractor.
27. Board members shall cooperate in good faith with the other Board members, the Association's management company, and its vendors, contractors, suppliers, and advisors in working at all times toward the best interests of the Association and its residents.
28. If in any situation a Board member is unable or unwilling to abide by any of these requirements, the Board member shall immediately bring the situation to the attention of the other Board members.

VIOLATION AND DISCIPLINARY PROCEDURES

29. Any grievance or potential violation of this Policy will be brought before the Board of Directors at any meeting of the Board at which business may be conducted, with a quorum present, for adjudication and any appropriate disciplinary or other action. Any such adjudications are to be conducted in a closed-executive session with the discussions of that executive session and to be kept confidential unless a disciplinary action approved calls for recordation in the minutes of the meeting. The adjudication of violation of the Policy and any resulting disciplinary action imposed shall be decided by majority vote of the Board members present and voting at such meeting.
30. A Board member who is determined to have violated the Policy, including but not limited to a refusal to sign the Acknowledgment, may be subject to the following non-exclusive remedies: (1) The Board may censure the violating director or officer through letter of reprimand, notation in the meeting minutes, or otherwise; (2) The Board may remove an officer from any office held with or without cause; (3) the Board may remove any director from any committee role, including committee membership or liaison to a committee; or (4) the Board may call for a special meeting of the membership for the purpose of the members considering and taking action to vote to remove a director from office.

The foregoing shall be the official policy of the Association henceforth.

Signed this 15th day of September, 2022.

By: Donna Jacobs Ford, President

ATTEST:

Jan. M. Andrew, Secretary

§ 55A-8-31. Director conflict of interest.

(a) A conflict of interest transaction is a transaction with the corporation in which a director of the corporation has a direct or indirect interest. A conflict of interest transaction is not voidable by the corporation solely because of the director's interest in the transaction if any one of the following is true:

- (1) The material facts of the transaction and the director's interest were disclosed or known to the board of directors or a committee of the board and the board or committee authorized, approved, or ratified the transaction;
- (2) The material facts of the transaction and the director's interest were disclosed or known to the members entitled to vote and they authorized, approved, or ratified the transaction; or
- (3) The transaction was fair to the corporation.

(b) For purposes of this section, a director of the corporation has an indirect interest in a transaction if:

- (1) Another entity in which he has a material financial interest or in which he is a general partner is a party to the transaction; or
- (2) Another entity of which he is a director, officer, or trustee is a party to the transaction and the transaction is or should be considered by the board of directors of the corporation.

(c) For purposes of subdivision (a)(1) of this section, a conflict of interest transaction is authorized, approved, or ratified if it receives the affirmative vote of a majority of the directors on the board of directors (or on the committee) who have no direct or indirect interest in the transaction, but a transaction shall not be authorized, approved, or ratified under this section by a single director. If a majority of the directors who have no direct or indirect interest in the transaction vote to authorize, approve, or ratify the transaction, a quorum is present for the purpose of taking action under this section. The presence of, or a vote cast by, a director with a direct or indirect interest in the transaction does not affect the validity of any action taken under subdivision (a)(1) of this section if the transaction is otherwise authorized, approved, or ratified as provided in that subdivision.

(d) For purposes of subdivision (a)(2) of this section, a conflict of interest transaction is authorized, approved, or ratified by the members if it receives a majority of the votes entitled to be counted under this subsection. Votes cast by or voted under the control of a director who has a direct or indirect interest in the transaction, and votes cast by or voted under the control of an entity described in subdivision (b)(1) of this section, shall not be counted in a vote of members to determine whether to authorize, approve, or ratify a conflict of interest transaction under subdivision (a)(2) of this section. The vote of these members, however, is counted in determining whether the transaction is approved under other sections of this Chapter. A majority of the votes, whether or not present, that are entitled to be cast in a vote on the transaction under this subsection constitutes a quorum for the purpose of taking action under this section.

(e) The articles of incorporation, bylaws, or a resolution of the board may impose additional requirements on conflict of interest transactions. (1985 (Reg. Sess., 1986), c. 801, s. 26; 1993, c. 398, s. 1.)