SWAN LAKE ESTATES HOMEOWNERS ASSOCIATION, INC.

January 14, 2025

Policy

CONFLICT OF INTEREST AND ETHICS

Article 1 – Introduction and Purpose

Swan Lake Estates Homeowners Association, Inc. requires its directors, officers, and volunteers to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Board of Directors has adopted this Conflict of Interest and Ethics Policy. The purpose of this policy is to protect the association's interest when it is contemplating entering a transaction or arrangement that might benefit the private interest of a director, officer, or other person in a position of authority within the association. The association strives to avoid conflicts of interest to ensure that it continues to operate in accordance with its purpose. This policy is intended to supplement but not replace any applicable state and federal laws.

Article 2 – Definitions and Key Concepts

A. **<u>Covered Persons</u>**. Covered Persons are the association's directors and officers.

B. **<u>Duty of Loyalty</u>**. Conflicts of interest can place personal interests at odds with the fiduciary "duty of loyalty" owed to the association. The duty of loyalty requires that a director or officer refrain from using their position for personal gain and avoid acting on issues in which their personal or financial interests could conflict with the interests of the association.

C. **<u>Conflict of Interest</u>**. A conflict of interest may arise if a Covered Person is able to make or influence the association's decision about a matter in which the Covered Person has a financial or personal interest. Conflicts of interest may arise with respect to matters in which a Covered Person, a family member of a Covered Person, or an entity in which a Covered Person or family member of a Covered Person has a business relationship has a financial interest in the matter.

D. **<u>Family Member</u>**. A "family member" is a spouse, parent, parent-in-law, sibling (whole or half), sibling in-law, child, grandchild, or great-grandchild of the Covered Person.

E. **<u>Business Relationship</u>**. A Covered Person or family member is considered to have a "business relationship" with an entity if it is an entity in which:
   i. The Covered Person or a family member has a substantial financial interest as an owner or investor in the entity or
   ii. The Covered Person or family member has an "agency relationship" (i.e., is a director, officer, or employee).

F. **<u>Potential and Actual Conflicts of Interest</u>**. Acts that mix the personal or financial interests of a Covered Person with the interests of the association are indicative of a conflict of interest. Not every potential conflict is an actual conflict, however. A Covered Person who has an interest in a matter involving the association may have a conflict of interest requiring application of the mitigating procedures described in this Policy only if the appropriate party designated in Article 5 decides that such a potential conflict of interest is actual or material. However, acts that even have the appearance of a conflict of interest can be damaging to the reputation of the association. Consequently, the association seeks to avoid potential and actual conflicts of interest, as well as the appearance of conflicts.

Article 3 – Activities That May Present a Conflict of Interest

The following is not an all-inclusive list of the types of activities that may present a conflict of interest and should be disclosed in accordance with Article 4.

A. **Adverse Interest**. Participation by a covered Person in decisions or negotiations related to a contract, transaction, or other matter between the association and: (i) the Covered Person; (ii) a family member of the Covered Person; or (iii) an entity in which the Covered Person or a family member of such person has a business relationship.

B. **Competing Interests**. Competition by a Covered Person with the association in the purchase or sale of property or property rights, interests, or services, or, in some instances, competition directly for the same donor or external resources.

C. **Use of Resources**. Use of the association's resources (for example contracts, member lists, or name) for personal purposes of the Covered Person or a family member of such person.

Article 4 – Disclosure

The primary obligation of any person subject to this policy who may be involved in a conflict of interest situation is to bring it to the attention of those designated under the disclosure procedures in this Article so that the potential conflict can be evaluated and addressed. A Covered Person should not make the decision about whether a conflict of interest exists unilaterally.

A. **Duty to Self-Disclose**. A Covered Person shall disclose all material facts regarding their interest in a transaction, agreement, or arrangement that may result in a conflict of interest at the time that any actual or potential conflict of interest or ethical question arises. Covered Persons shall make such disclosures to the board president or, if the potential conflict of interest first arises in the context of a board meeting, the entire board.

B. **Annual Disclosure**. In accordance with Article 9, Covered Persons shall make an annual disclosure of ongoing relationships and interests that may present a conflict of interest.

C. **Disclosure of Conflicts of Others**. If a Covered Person becomes aware of any conflict of interest involving another Covered Person, they should report it in accordance with the requirements of Article 4.

Article 5 – Evaluating Conflicts

A. **Determination by the Board of Directors**. After disclosure of all material facts and any follow-up discussion with the Covered Person with a potential conflict of interest, the board shall determine whether a conflict of interest exists. The Covered Person shall not be present at the meeting while the board is discussing or determining whether a conflict of interest exists.

B. **Relevant Factors for Determination**. Factors the board may consider when determining whether an actual conflict exists include

   i. the proximity of the Covered Person to the decision-making authority of the other entity involved in the transaction;

   ii. whether the amount of the financial interest or investment is *de minimis* relative to the overall financial situation of the association; and

   iii. the degree to which the Covered Person might benefit personally if a particular transaction were approved.

Article 6 – Procedures for Addressing Conflicts

B. **<u>Covered Person or Family Member Has a Material Financial Interest</u>**. Subject to the exceptions in Article 6, Section B, if a conflict of interest exists that involves a transaction in which a Covered Person or a family member of a Covered Person has a material financial interest, including transactions to which an entity in which a Covered Person or family member of a Covered Person has an ownership interest is a party, the board may only approve the transaction if the procedures below are followed:
   i. The Covered Person may make a presentation at the board meeting at which such transaction is being considered, but after the presentation, they shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
   ii. The board president shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
   iii. After exercising due diligence, the board shall determine whether the association could obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
   iv. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the board shall determine whether the transaction or arrangement is in the association's best interest, for its own benefit, and whether it is fair and reasonable.
   v. The transaction must be approved by a vote of a majority of the directors in office, without counting the vote of any interested director.

C. **<u>Exception</u>**. An action fixing the compensation of a director as a director or officer.

D. **<u>Other Circumstances</u>**. In all other circumstances where it is determined that an actual conflict of interest exists, the decision-making body will recommend an appropriate course of action to protect the interests of the association. All disclosures and the outcome of the deliberation about whether a conflict of interest exists will be recorded in the minutes of the appropriate deliberative meeting.

Article 7 – Records of Proceedings

The minutes of the board meeting convened to consider a transaction in which a Covered Person has a conflict of interest or potential conflict of interest shall contain:

A. The names of the Covered Persons who disclosed or whom otherwise were found to have a financial or other interest in connection with an actual or possible conflict of interest, the nature of the financial or other interest, any action taken to determine whether a conflict of interest was present, and the board's decision as to whether a conflict of interest in fact existed.

B. The names of the persons present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article 8 – Violations of the Policy

If the board has reasonable cause to believe that a Covered Person has failed to disclose actual or possible conflicts of interest, it shall inform the Covered Person of the basis for such belief and afford the Covered Person an opportunity to explain the alleged failure to disclose. If, after hearing the Covered Person's response and after making further investigation as warranted by the circumstances, the board determines the Covered Person has failed to disclose an actual or possible conflict of interest, it shall take appropriate corrective action.

Article 9 – Annual Statements
Each person subject to this policy shall annually sign a statement adopted by the board that at a minimum affirms that such person has received a copy of this policy; has read and understands the policy; and has agreed to comply with the policy.

Article 10 – Code of Ethics
In conducting business and activities connected with the association, a Covered Person shall follow these guidelines:

A. **Ethical Conduct**. Be honest and ethical in his or her conduct, including ethical handling of actual or apparent conflicts of interest between personal and professional relationships. A Covered Person should not engage in activities which have or may have the appearance of impropriety or conflict of interest, or that may call into question the actions or integrity of the association, or of the Covered Person as he or she relates to the association.
B. **Legal Compliance**. Comply with applicable state and federal laws and regulations, and report their concerns to the appropriate person listed in Article 3 if it appears that any other director, officer, or contractor of the association is not complying with applicable laws or regulations with respect to the association's business.
C. **Confidentiality**. Maintain the confidentiality of all internal information about the association except when authorized or otherwise legally obligated to disclose such information.
D. **Fair Dealing**. Deal fairly with the association's contractors and volunteers.
E. **Protect Assets**. Protect and ensure the proper use of the association's assets, including its name, goodwill, and reputation.
F. **Personal Influence**. Be mindful of the interaction between their relationships inside and outside of the association, and not allow inappropriate personal influence over the affairs of the association.
G. **Commitments**. Do not "speak for" the association or make or imply commitments by the association without proper internal authorization and communication.
H. **Loans**. The association should not make loans to Covered Persons.

Certification: This Conflict of Interest and Ethics Policy supersedes any previous version. The covenants and bylaws governing the Swan Lake Estates Homeowners Association take precedence over this document. This policy was adopted by the Board of Directors on January 14, 2025.

Juliane Wyatt, Secretary

Conflict of Interest and Ethics Statement

1. Name: ________________________________
2. Are you a member in good standing? YES / NO
3. Position:
    a. Are you a voting director? YES / NO
    b. Are you an officer? YES / NO
    c. If yes, which position do you hold? ____
4. I affirm the following:
    a. I received a copy of the Conflict of Interest and Ethics Policy. ___________ (initial)
    b. I have read and understand the policy. ___________ (initial)
    c. I agree to comply with the policy. ___________(initial)
5. Disclosures:
    a. Do you have a financial interest (current or potential) as defined in the Conflict of Interest and Ethics Policy?
        i. If yes, please describe:
        ii. If yes, has the financial interest been disclosed, as provided in the Conflict of Interest and Ethics Policy? YES / NO
    b. In the past, have you had a financial interest, including a compensation arrangement, as defined in the Conflict of Interest and Ethics Policy?
        i. If yes, please describe:
        ii. If yes, has the financial interest been disclosed, as provided in the Conflict of Interest and Ethics Policy? YES / NO

____

Signature of Director / Officer

____

Date