

**SOUTH RIDING PROPRIETARY
POLICY RESOLUTION NO. 2004-02**

**Code Of Conduct And Operating Procedures
For The Board Of Directors**

WHEREAS, Article 4, Section 4.1(4) of the Bylaws for South Riding Proprietary (“Association”) empowers the Board of Directors (“Board”) with the authority to establish formal policies in connection with the manner in which the Board and its committees conduct the business of the Association; and

WHEREAS, the Board has decided to establish a code of conduct and operating procedures for itself and its committees;

NOW, THEREFORE, BE IT RESOLVED that the Board adopts the following operating procedures and code of conduct as its formal policy:

I. ELECTIONS AND APPOINTMENTS

A. COMMITTEE APPOINTMENTS

1. Committee Chairpersons

The Board shall appoint the chair of each committee formed pursuant to Article 7 of the Bylaws.

2. Committee Members

The Board may in its descretion delegate the appointment of the individual members of each committee to the respective committee chair. The exceptions to the foregoing are the Covenants Committee and the Elections Committee, for which the Board shall appoint both the chair and each member in accordance with Article 9 of the Declaration and Article 5 of the Articles of Incorporation, respectively.

3. Membership on committees

No member of the Board shall serve on any committee, either as a member or as chairperson, unless they are specifically appointed by the Board to do so. A Board member may attend the meetings of any Association committee. Said member shall not cast votes, or in any way steer or unduly influence the operations of the committee.

B. LIAISONS

1. Committee Liaisons

Committee Liaisons shall be appointed by the Board at the first business meeting of the Board of Directors following the annual meeting, and as necessary during the year. The purpose of Committee Liaisons is to facilitate communications between the Board of Directors and committees. No Board member shall serve as Liaison to more than two committees. The Treasurer shall act as the Liaison to the Budget & Finance Committee.

2. Staff Liaison

Due to the additional responsibilities of the President, he/she shall act as the Liaison to no more than one committee, and the President shall act as the Liaison with the General Manager. In the President's absence, then the Vice President shall act, and in the Vice President's absence, then the Secretary shall act, and in the Secretary's absence, then the Treasurer shall act as the Liaison to the General Manager.

3. Legal Liaisons

The legal liaison for the Association's law firms shall be the General Manager, and in the General Manager's absence, then the Assistant General Manager shall act, and in the Assistant General Manager's absence, then the President shall act. Board members and committee chairs and or members are not to contact Association legal council directly, but should communicate through the designated liaison.

II. BOARD OF DIRECTORS CODE OF CONDUCT

A. CONFLICT OF INTEREST

Members of the Board owe a fiduciary duty to the Association, which requires them to consider only the best interests of the Association when they vote or discuss any matter and thus must exclude any self-interest or any competing interest from their consideration.

Each director or officer shall exercise such director's or officer's powers and duties in good faith and in the best interests of the Association. Any common or interested director or officer may be counted in determining the presence of a quorum of any meeting of the Board of Directors, or a committee of the owners which authorizes, approves or ratifies any contract or transaction. Any Board member who has, or thinks that he/she may have a conflict of interest, either presently or in the future on any issue that is likely to be introduced for discussion at a Board meeting, then prior to any discussion or vote on this issue, shall immediately make known to the Board members this potential conflict of interest. The voidability of a transaction involving a director or officer with a conflict of interest shall be determined in accordance with Section 13.1-871 of the Virginia Non-Stock Corporation Act ("Act").

A conflict of interests transaction is a transaction of the Board of Directors in which a Board member has a direct or indirect personal interest. A conflict of interest transaction is not voidable by the Board solely because of the Board member's interest in the transaction if any one of the following is true:

1. The material facts of the transaction and the Board member's interest were disclosed or known to the Board of Directors and the Board authorized, approved or ratified the transaction; or
2. The material facts of the transaction and the Board member's interest were disclosed to the members entitled to vote and they authorized, approved or ratified the transaction; or

3. The transaction was fair to the Association.

A Board member has an indirect personal interest in a transaction if (i) another entity in which he has a material financial interest or in which he is a general partner is party to the transaction or (ii) 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.

A conflict of interests transaction is authorized, approved, or ratified if it receives the affirmative vote of the majority of the Board members who have no direct or indirect personal interest in the transaction, however, a transaction may not be authorized or approved by a single Board member. If a majority of the Board members who have no direct or indirect personal interest in the transaction, vote to approve the transaction, a quorum is present for the purpose of taking action pursuant to this paragraph. The presence of, or a vote cast by, a Board member with a direct or indirect personal interest in the transaction does not affect the validity of any action taken pursuant to the paragraphs of this section, if the transaction is otherwise authorized or approved as provided in these paragraphs.

No Board member shall solicit or accept, directly or indirectly, any gifts, gratuity, favor, entertainment, loan, or other item of monetary value from a person who is seeking to obtain contractual or financial relationships with the Association.

No Board member shall accept any gifts or favors made with the intent of influencing any decisions or actions on any official matter.

No Board member shall misrepresent facts to the residents of the community for the purpose of advancing a personal cause or influencing the community to put pressure on the Board to advance a Board member's personal cause.

B. MOTIONS AND VOTING

No actions shall be taken by the Board, unless such action has been considered at the Board meeting by a motion and a vote. The results of any vote taken shall be recorded in the Board meeting minutes. Board meeting minutes will include a listing of the meeting participants, a record of business conducted, motions made, votes taken, and will include who voted and how they voted on each issue.

Those Board members voting against any motion that is ultimately voted on affirmatively by the Board shall stand behind the vote taken and move forward positively with the Board in any action needed to be taken in order to implement the issue voted upon.

Board meetings will be conducted generally in accordance with Robert's Rules of Order.

C. CODE OF CONDUCT

No Board member shall act on his or her own, in the capacity of a Board member, or under color thereof, with respect to any decisions or actions that is within the purview of the entire Board, unless the Board member is specifically authorized to so act beforehand, by vote of the entire Board.

Each Board member, when dealing with outside entities, third parties, or residents not on the Board, must consider how they are viewed by whomever they are dealing with, and should make it clear to whomever, whether they are speaking as a Board member or as a resident of the community.

Board members understand and agree that all matters taken up in executive sessions or any other meeting of the Board protected under the governing documents or the Act will, or information provided therein or otherwise under similar circumstances, will be discussed only with other Board members, legal counsel, staff, or others if so authorized by the Board.

If a Board member is contacted directly by a resident concerning Association matters that are currently, or that should properly be, before the entire Board, then the Board member should inform the resident that he is unable to speak on the issue, and either request the resident to put his/her questions or concerns in writing and submit them to the Board, or, if appropriate, invite the resident to the next Board meeting to address the entire Board regarding the questions or concerns. If a discussion is unavoidable with said resident and an interaction does ensue, the Board member should attempt to get a second Board member or other witness to be included in or to overhear the discussion if at all possible. Afterwards, the Board member should prepare a memorandum of the conversation and submit same to the Board for review at the next scheduled Board meeting, as well as send a letter to the homeowner, memorializing the conversation.

In conducting the routine business of the Board and Association, it is recognized and understood that Board members may find it necessary to communicate with persons representing entities outside of South Riding, including but not limited to members of the Federal, State or local governments (including public health and safety officials), members of the media, business contractors, or other third parties. During such communications no Board member may represent a position or opinion of the Board or the Association to persons representing such outside entities unless previously authorized to do so by the Board. The circumstances and content of any such communications must be disclosed to the Board as soon thereafter as possible through the General Manager or Board President.

In the spirit of working cooperatively to further the best interests of the community and the Association, Board members agree to be honest and fair in all interactions, with each other and the Association members and residents, to treat everyone with respect, to express differing viewpoints but to show consideration for the opinions expressed by others. Board members should refrain from publicly slandering, maligning or otherwise discrediting other Board members, Association members or residents and staff.

Any Board member who violates this Resolution agrees that the Board of Directors may seek injunctive relief against him/her. In any such enforcement effort it is agreed that the prevailing party shall be entitled to attorney's fees.

**SOUTH RIDING PROPRIETARY
RESOLUTION ACTION RECORD**

Resolution Type: Policy No: 2004-02

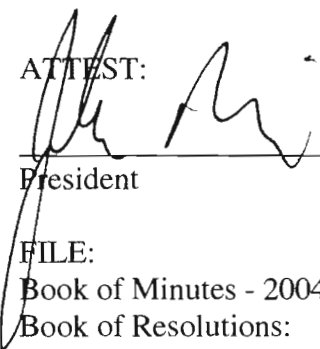
Pertaining to: Code of Conduct And Operating Procedures for the Board of Directors

Duly adopted at a meeting of the Board of Directors held on September 9, 2004.

Motion by: Mr. Narasimhan Seconded by: Mr. Salmon

	VOTE:			
	YES	NO	ABSTAIN	ABSENT
<u>Mr. Harris</u>	X			
<u>Mrs. Bacak</u>	X			
<u>Mrs. Horne</u>	X			
<u>Mr. Narasimhan</u>	X			
<u>Mr. Ceresa</u>	X			
<u>Mr. Nosal</u>	X			
<u>Mr. Salmon</u>	X			

ATTEST:



President

10/7/04

Date

FILE:

Book of Minutes - 2004

Book of Resolutions:

Book No.

Page No.

Policy	<u>X</u>
Regulatory	_____
Special	_____
General	_____

Resolution effective: October 1, 2004