



PROFESSIONAL COMMUNITY MANAGEMENT, INC. (PCM)

ETHICS POLICY

It is the basic policy of Professional Community Management, Inc. (PCM), that no PCM officer, director, or employee shall have any position or interest, financial or otherwise, make or receive any payment, or engage in any activity which conflicts or reasonably appears to conflict with the proper performance of his or her duties and responsibilities to clients of PCM. The Policy also applies to situations that may tend to affect the PCM officer, director, or employee's individual independence of judgment with respect to transactions between PCM acting on behalf of its clients, and the client's vendors, suppliers, contractors and others with whom business contact is made.

This Ethics Policy attempts to set out the general principles and guidelines, which shall govern the activities of PCM and its officers, directors and employees. It is impossible to develop an ethical standard for every activity in which PCM is engaged, or to identify all conflict of interest situations that conceivably could arise. Therefore, this PCM Ethics Policy is not intended to be all-inclusive. Rather, it should serve as a useful guide in applying ethical standards to a variety of business situations. The guidelines enumerated below apply to all PCM officers, directors, employees, and their spouses, and dependent children. Dependent children are defined as any natural or adopted children under 18 years of age who are eligible to be claimed as a tax exemption.

This Policy shall be considered as a condition of employment for all PCM officers, directors and employees, and shall be communicated as such to PCM personnel. Additionally, all PCM employees shall be required to date and sign this policy and have the signed document placed in their respective personnel folders.

CONFLICTS OF INTEREST

PCM officers, directors, and employees have a responsibility not to use their position to enhance their personal financial status to the detriment of PCM, or its clients. Additionally, PCM personnel shall avoid situations that involve or create the appearance of a conflict of interest. It is intended that the following precepts shall be utilized with regard to conflicts of interest:

1. PCM personnel who deal with vendors, suppliers, contractors, or others doing business with PCM on behalf of its clients, or who make recommendations with respect to such dealings or pass judgment upon them, and who own any interest in or have any personal contact, agreement, or understanding of any nature with such business entities must divulge any circumstances that may constitute a conflict of interest or the appearance of a conflict of interest. Such PCM personnel shall advise the appropriate PCM supervisor of those conflicts of interest circumstances to permit reassignment of duties and responsibilities to



another individual. Such conflict of interest circumstances shall be documented by the PCM supervisor and will be disclosed to affected corporations upon request.

2. PCM personnel shall not do business with close relatives on behalf of PCM clients, unless, subsequent to the familial relationship being disclosed, the client grants written permission authorizing PCM to do so. A close relative is defined as a parent, grandparent, grandchild, brother, sister, parent-in-law, brother-in-law, sister-in-law, aunt, uncle or first cousin or spouse of any such person. Close relatives as defined, excludes spouse or dependent children of PCM personnel who may not do business at any time under such circumstances.
3. The PCM Board of Directors has determined that a conflict of interest could occur in employing resident members of its client communities. Whereas this arrangement has the distinct possibility of creating conflicts of interest between PCM and our client corporations on the one hand and members of the communities we serve on the other hand, it is in the best interests of all parties to have the following employment policy:
 - PCM will not hire any resident/owners or corporate members of our clients' Boards of Directors as full-time employees, consultants or in a supervisory/management capacity; but will hire such individuals on a part-time basis where qualified.
 - Any resident part-time employee may not be both an employee of PCM and serve on the Board of Directors or committees of the corporations.
 - Any full-time employee becoming a resident/owner in the community that the employee serves shall agree to work for PCM on no greater than a part-time basis.
 - PCM will not hire anyone as a full-time employee or allow any employee to remain in a full-time position, if employee resides in, owns, or has any financial interest in a manor in the Laguna Woods Village community.
4. The PCM Board of Directors has the ultimate authority and responsibility to determine when such conflict of interest provisions apply and what steps need to be taken to correct conflict of interest situations. Such steps may include transfer of responsibility, disciplinary action, or termination.

FINANCIAL TRANSACTION - STANDARDS OF CONDUCT

PCM shall provide all financial services to its clients utilizing proper standards of conduct. Such proper standards include:

1. Compliance with generally accepted accounting principles, and with all laws and regulations and adopted policies that are applicable to PCM and its clients.
2. No fraudulent entries shall ever be made by PCM in the books or records of its clients.
3. No financial transaction shall be effected and no payment shall be made by PCM on behalf of its clients with the intention or understanding that the transaction or payment is other than for what the appropriate documentation and records indicate.

ACCEPTANCE OF GIFTS AND ENTERTAINMENT

It shall be the policy of PCM to discourage the acceptance by PCM officers, directors, and employees of gifts, entertainment or other favors from existing or prospective clients, vendors, or suppliers with which PCM acts on behalf of its clients. The following are intended to provide guidance in this regard:

1. Gifts of a nominal value and personal nature given as a token of friendship on special occasions such as Christmas, a job promotion, or length of service award, are acceptable. Likewise, entertainment that would be difficult to describe as "lavish" is acceptable. Although no precise definition of "nominal value" or "lavish entertainment" is possible, it is intended that any gift, entertainment, or other favor does not meet acceptable standards of PCM if:
 - It is judged above the standard of living of the donee or the donor.
 - It is judged beyond the ability of the donee to reciprocate, either on a personal basis or with a legitimate claim for reimbursement from PCM or its clients; and, the gift or entertainment received would suggest to a disinterested third party that the donee might be influenced in the conduct of PCM business with the donor.
2. It is recognized that many clients, vendors, and suppliers consider reasonable gifts and entertainment as a sensible and accepted business practice without any intent to unduly influence the judgment of personnel. It is anticipated that this statement of ethical conduct, with its emphasis on how a situation might be reviewed at a later date, will enable PCM personnel to discourage the giving of gifts and entertainment of more than a strictly nominal or incidental nature.
3. Cash gifts of any amount are deemed unacceptable.

ACCEPTANCE OF TIPS/GRATUITIES

Every customer is entitled to efficient and courteous service. Since such service is given impartially to all, tips or gratuities are not expected. Therefore, employees are not allowed to accept tips or gratuities from a resident, guest, or vendor. If someone presses an employee to accept a tip or gratuity, the employee should thank them, but explain that company policy makes it impossible to accept any tips or gratuities. If they refuse to take back the tip, the employee must turn it in to his/her supervisor.

ACCEPTANCE OF UNEARNED FEES, REMUNERATION, DISCOUNTS, AND CLIENT ASSETS

Kickbacks in any form to or from a supplier, subcontractor, client, or any other party involving any PCM employee, officer or director are not to be given or accepted under any circumstances. PCM employees, directors, officers, and their family members may not accept any discount on personal purchases that may be construed to be offered because of a supplier's relationship with PCM or its clients, unless the same discount is made publicly available to all PCM employees, directors or officers. Unless the relationship has already been in existence prior to employment with PCM, or employee is a direct relative of a resident member(s) of our clients, no PCM employee shall become a beneficiary of wills, trusts, insurance policies, or recipient of any client assets as a direct result of their contact with residents due to their employment with PCM.

BORROWING FROM CLIENTS, VENDORS, OR SUPPLIERS - PERSONAL USE

All PCM personnel are prohibited from borrowing from clients, vendors, suppliers, or others with whom contact is made in the course of PCM business, except those who are engaged in lending or financing in the usual course of their business. However, such loans must be offered on terms offered to others under similar circumstances without special concessions as to interest rates, terms, security, or repayment terms.

OUTSIDE EMPLOYMENT

It is expected that PCM personnel will not engage in outside employment, which can reasonably be expected to prevent the satisfactory fulfillment of his or her responsibilities to PCM or its clients. An individual who wishes to engage in outside employment should discuss the matter with the appropriate PCM supervisor, only if there is a reasonable possibility that such outside employment will interfere with an employee's responsibility to PCM. However, PCM personnel providing services exclusively for a particular PCM client may, pursuant to authorization and direction from the PCM Board of Directors, and with proper disclosure to that client, provide services to another PCM client on a "spot" basis. Accordingly, all salary and other expenses incurred would be allocated to the PCM client receiving such "spot" services. However, such actions must not interfere with the provision of services to the primary client.

OUTSIDE ACTIVITIES

PCM recognizes and respects the right of employees to engage in activities outside their employment, which are private in nature; however, we expect that these activities would in no way conflict with or reflect poorly on PCM.

OFFSITE ACTIVITIES

Any misconduct by a PCM employee off premises that could irreparably damage PCM's reputation is considered grounds for discipline, up to and including termination.

PCM considers misconduct to be any action or public demonstration that tends to compromise PCM such as engaging in criminal activity or inappropriate behavior, consuming alcoholic beverages or using illegal drugs while wearing a PCM uniform or insignia. Such misconduct is cause for immediate termination if reported, and upon investigation it is determined that the misconduct has had or will have a detrimental effect on the image PCM wishes to project.

DIRECTOR, OFFICER, OR OTHER POSITION IN ANOTHER COMPANY

No PCM personnel shall serve as a director, officer, or hold any other position in another company without immediate disclosure of that fact to the PCM Board of Directors. An exception to this policy is accepting a position and participating in those charitable, religious, educational, community and labor activities not carried on for profit. PCM Corporate will require any director or officer of PCM Corporate to sign, as a condition of employment, other documents in regard to ethical conduct, business disclosures, and non-competing agreements, as required.

EMPLOYEE RELATIONS

PCM shall hire, train, and promote employees on the basis of their qualifications, granting equal opportunity without discrimination. PCM shall endeavor to:

1. Protect the health and well being of its employees by continuous efforts to provide proper equipment, healthful working conditions and safe work practices.
2. Assist employees in improving their skills.
3. Compensate employees fairly and equitably.
4. Deal honestly and in good faith with employees.
5. Inform employees on matters affecting their job security, and work to maintain a climate of mutual respect and trust among all employees.



6. Provide a supportive environment in which each individual will not be denied the opportunity to develop and work up to his or her potential.

RELATIONS WITH CLIENT COMMUNITIES

It shall be the policy of PCM to maintain the highest level of truthfulness and integrity in its relationships with client communities. PCM shall endeavor to assure the accuracy of general and technical information released to the client community and general public in all instances.

CONFIDENTIALITY AGREEMENT

During the course of employment, PCM employees may have access to confidential and proprietary information relating to PCM's business, including, but not limited to confidential and proprietary information relating to our clients' businesses. "Proprietary" information is defined as information used to evaluate, design, develop, and implement systems for our clients. It is the basis for all activity in connection with any management information systems or operations.

It is expected that PCM employees will treat as confidential all financial information, passwords, correspondence, reports, lists, manuals, handbooks, charts, computer tapes and printouts, compilations of information, property and materials whether prepared by PCM or by others on behalf of PCM and our clients, recorded or not and regardless of how the materials come into the custody of the undersigned.

PCM expects that all confidential and proprietary information will not be discussed or given to anyone else unless it is a routine part of the employee's job or unless authorized to do so. This would include, but is not limited to, resident members of our client communities, other third parties, or other businesses. No internally generated documents, including e-mails and memos shall be forwarded to others or printed out and given to others. PCM also asks employees to take reasonable care in discussing PCM and/or its clients' business in public places where it could be heard and possibly cause harm to PCM and/or our clients. Any violation of these policies can be cause for disciplinary action up to and including termination.

Should an employee leave PCM for any reason, the obligation not to disclose confidential or proprietary information continues. This is a legal obligation which PCM views seriously since confidentiality of what we know about our clients' businesses is one of our most valued assets.

USE OF COMMUNITY RECREATION FACILITIES BY PCM EMPLOYEES

Employees may not use any of the community recreation facilities except as an invited guest of a resident of Laguna Woods Village, or if approval has been granted by the GRF Board.

This does not apply to residents who are part-time employees of PCM.



POLICY ON ETHICAL CONDUCT

Professional Community Management, Inc. (PCM) has always provided community and property management and real estate services to and on behalf of its clients in a professional, ethical, and honest manner. It is for that reason an Ethics Policy has been developed which codifies what has always been done—encourage, and in all instances require PCM employees to adhere to exemplary standards of conduct when performing activities for its clients.

The PCM Ethics Policy serves as a guideline for PCM employee conduct. The PCM Ethics Policy does not prescribe rules of conduct for every situation that may confront a PCM employee. The intent of the Policy is to establish in writing a broad code of ethical conduct that sets forth basic goals and describes in detail guidelines to cover the most important business activities and relationships. The PCM Board of Directors feels that the ethical guidelines apply equally to all individuals throughout the organization. Adherence to the Ethics Policy will ensure continued performance up to the high standards expected by our clients and ourselves.

PROFESSIONAL COMMUNITY MANAGEMENT, INC.

A handwritten signature in black ink, appearing to read "J. Olsen", written over a horizontal line.

Jeffrey B. Olsen, Chief Executive Officer

A handwritten signature in black ink, appearing to read "R. L. Disbro", written over a horizontal line.

Russell L. Disbro, Chief Executive Officer

A handwritten signature in black ink, appearing to read "M. Johns", written over a horizontal line.

Milt Johns, General Manager
Laguna Woods Division