

## **HILTON HEAD PROPERTIES CODE OF BUSINESS CONDUCT AND ETHICS**

Hilton Head Properties (including herein, its subsidiaries, affiliates and partnerships) occupy a special position of public trust and professional responsibility. Our reputation is founded upon high ethical standards that must be observed by each and every individual within our organization.

Two of Hilton Head's values, Act with Integrity and Always do the Right Thing, form the basis of our Code of Business Conduct and Ethics. Employees are expected to read this entire Code. This Code is neither a contract nor a comprehensive manual that covers every situation employee might encounter. It is a guide that highlights key issues and identifies policies and resources to help employee reach decisions. As an Employee, Executive or Director of Hilton Head, employee agrees to comply with all legal requirements and also to refrain from any activities that would violate our ethical standards.

In any case where employee has a question about whether an activity is prohibited, employee should review it in advance with employee's supervisor.

### **1. Reporting Concerns**

**Taking action to prevent problems is part of the Hilton Head culture. If employee is aware of or suspect misconduct, illegal activities, unethical behavior, fraud, abuse of Hilton Head assets, staff, intellectual property or violations of laws, rules or regulations or of this Code, employee has an affirmative duty to advise employee's supervisor or to call our Ethics Officer at 214-515-9685, or email to [ethics@hiltonheadproperties.net](mailto:ethics@hiltonheadproperties.net).**

Our Ethics Officer is authorized to take Code of Business Conduct and Ethics issues directly to the President and if they feel the issues is not properly resolved, are authorized to address the issue with the Board of Directors.

If employee has concerns or complaints regarding accounting or auditing matters relating to Hilton Head, employee may submit those concerns or complaints (anonymously, confidentially or otherwise) to the Ethics Officer either by calling the telephone number or using the email listed above or visiting the Ethics Page of our website to file an anonymous report at [www.hiltonheadproperties.net/ethics.html](http://www.hiltonheadproperties.net/ethics.html), or employee may contact the Audit Committee of the Board of Directors (which will, subject to its duties arising under applicable law, regulations and legal proceedings, treat such submissions confidentially). If contacting the Audit Committee, such submissions should be directed to: "CONFIDENTIAL" Chairman of the Audit Committee c/o Hilton Head Properties, Inc., 1401 Elm St., Suite 3800, Dallas, Texas 75202.

Retaliation against any person who honestly reports a concern to Hilton Head about illegal or unethical conduct will not be tolerated. It is also unacceptable to file a report knowing it to be false.

Hilton Head will use every reasonable means available to keep confidential the identity of any person who requests such protection. Some disclosure may be required to investigate the report and act upon it.

### **2. Compliance with Law**

Employee is required to comply with all applicable laws and regulations wherever we do business. Employee should inform Hilton Head's Chief Financial Officer or Chief Executive Officer of any

governmental request or inquiry. If employee is advised by governmental request or inquiry to not advise anyone at Hilton Head about such request, employee is required to advise Hilton Head's Corporate Counsel of such request to not disclose. When employee has any questions or concerns about the legality of an action, employee's are responsible for checking with management.

Management and supervisors should ensure that all employees observe all applicable laws, including health and safety laws and regulations. This Code does not summarize all of the laws and regulations applicable to Hilton Head and its employees, officers, executives and Directors. Please contact Hilton Head's Human Resources Department with any questions on specific laws and regulations.

### **3. Inside Information and Securities Trading**

Employees are required to comply with all insider trading laws. These laws prohibit anyone who has access to or knowledge of confidential or material non-public information from or about Hilton Head, from buying, selling or otherwise trading in Hilton Head securities (once they are public or about to go public) or any securities in which Hilton Head is involved with, whether or not they are using or relying on that information. It is also against the law to share this information with, or to "tip," others because the individuals receiving this information might make an investment decision based on inside information. Also, Hilton Head has implemented trading restrictions to reduce the possibility, or the appearance of, insider trading. Please contact Hilton Head's Chief Financial Officer or Employee Investor Relations Officer if employee has questions regarding insider trading prohibitions or questions on Hilton Head's trading policy, pre-clearance of trades or related policies.

### **4. Conflicts of Interests**

Conflicts of interest are prohibited, except under guidelines approved by the Board of Directors or a committee of the Board. Employee should make business decisions based on the best interests of Hilton Head, and should not be motivated by personal considerations or relationships. Conflicts of interest exist when employee's private interests interfere in any way (or even appear to interfere) with Hilton Head's interests. A conflict of interest may arise when employee takes action or have interests that may make it difficult to perform employee's work objectively and effectively. Conflicts of interest also arise when employee or a member of employee's immediate family receive improper personal benefits as a result of employee's position with Hilton Head. For purposes of this Code, employee's interests include any interests of employee's immediate family (*i.e.*, employee's spouse, children, parents, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares employee's home).

#### **A. Corporate Opportunities**

Employee is prohibited from:

- Taking for employee or assisting others, personal opportunities that properly belong to Hilton Head or its subsidiary, affiliated or partnership companies, or are discovered through the use of Hilton Head's employees, officers, Directors, property, subsidiaries, affiliates, associates, partnerships, contacts, investors or relationships;
- Using Hilton Head and its subsidiaries, affiliates or partner companies - property, assets, employees, information, software, contacts, web accounts, vendors or vendor accounts, materials, supplies, intellectual property or position for personal gain; and
- Competing with Hilton Head or its subsidiary, affiliated or partnership companies during the time that employee is an employee, Officer or Director and for a period of two years after such relationship ceases to exist.

It is employee's duty to advance Hilton Head's legitimate interests when the opportunity to do so arises, and to avoid having an interest in any transaction between Hilton Head or any of its subsidiaries and a third party that might conflict with the proper performance of employee's duties or responsibilities or that might adversely affect employee's independent judgment with respect to such transaction. Accordingly, unless specifically approved by the Board of Directors or a committee of the Board after full disclosure of all relevant facts:

- (i) Employee may not own a material interest in any supplier, contractor, subcontractor, competitor, customer or other entity with which Hilton Head does business that might affect employee's ability to objectively perform employee's work;
- (ii) Employee may not own or acquire any property if employee knows that Hilton Head has taken or is considering taking any action that may benefit such property;
- (iii) Employee may not own or acquire any property utilizing confidential information obtained through Hilton Head or in the course of performing employee's duties for Hilton Head;
- (iv) Employee may not appropriate or divert to others any business opportunity that employee knows is, or employee could reasonably have anticipated that Hilton Head would be, interested in; and
- (v) If employee is a full-time employee, employee should avoid outside business activities that may conflict with employee's ability to devote employee's full-time efforts to Hilton Head's business.

Nothing in this Code is intended to preclude employee from owning publicly-traded securities of any company, including a company with which Hilton Head has dealings so long as employee's holdings could not be used to exert any influence on such company either because of the relatively small size of employee's securities holdings or because of the insignificance of Hilton Head's dealings with such company. Accordingly, ownership of publicly-traded securities in companies with which Hilton Head has no dealings will not be deemed to involve a "financial interest" of the nature prohibited by this Code. Also, ownership of publicly-traded securities constituting less than 5% of the outstanding securities of a company in which Hilton Head does have dealings will not be deemed to involve a "financial interest" of the nature prohibited by this Code.

Despite the above exceptions, employee should avoid buying or selling securities and other property that are timed in relation to Hilton Head's or any of its affiliates' operations so that such a transaction may be regarded as an attempt by employee to profit from the use of knowledge of Hilton Head's strategies, investment intentions or other confidential information.

## **B. Business Entertainment and Gifts**

Employee should avoid receiving benefits, favors, gifts and entertainment that might conflict with the proper performance of employee's duties or that might adversely affect employee's independent judgment on behalf of Hilton Head. Employee should also use business entertainment and gifts to create good will and sound working relationships, not to gain an unfair advantage with customers or suppliers. Accordingly, employee should not offer, give, provide or accept any benefits, favors, gifts, services, discounts or entertainment unless it:

- is not a cash gift;
- is consistent with customary business practices;
- is not excessive in value;
- cannot be construed as a bribe or payoff;
- will not make employee feel obligated to repay the donor with corporate business;
- will not embarrass Hilton Head if publicly disclosed; and
- does not violate any law or regulation.

## **C. Disclosure**

Conflicts of interest may not always be clear-cut, so please contact Hilton Head's Human Resources Department with any questions. If employee becomes aware of a conflict or a potential conflict, employee should bring it to the attention of employee's supervisor or Hilton Head's Human Resources Department or consult the procedures described in the Reporting Concerns section of this Code. In many cases, employee may avoid a conflict of interest or a potential conflict of interest by fully disclosing the facts to employee's supervisor or Hilton Head's Human Resources Department prior to the completion of the transaction. Senior Executives should disclose these facts to the Board. This will permit Hilton Head to make an informed, independent decision regarding the implication of any such transaction. Under some circumstances, Hilton Head may independently determine to engage in a particular transaction notwithstanding the potential conflict, and/or permit employee to engage in a transaction that otherwise would be prohibited. In such a case, the conflict of interests provisions of this Code would not be violated. Hilton Head reserves the right to condition the approval of any specific transaction on such terms and conditions as Hilton Head in its sole discretion may require, including but not limited to specific financial reporting and audit requirements.

### **5. Fair Dealing**

We will only obtain business legally and ethically. Employee should endeavor to deal fairly with residents, customers, associates, partners, investors, suppliers, competitors and other employees. Employee should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

### **6. Protecting Hilton Head Assets**

Employee has a responsibility to protect Hilton Head assets entrusted to employee from loss, damage, misuse or theft, and to ensure their efficient use. Employee should not use or take any property, including intangible assets such as information, that belongs to Hilton Head or one of its associates, investors, properties, partnerships or companies without proper authorization. Hilton Head assets, such as funds, products, computers, equipment, online accesses, vendor accounts, credit cards, bank accounts and other types of accounts may only be used for business purposes and other purposes approved by management. Hilton Head assets may never be used for illegal purposes.

### **7. Proprietary Information**

Employee should not disclose any personal information about Hilton Head's Officers, Directors, Investors, Partners, Associates, Affiliates, Managers, Employees or other related parties. Employee should maintain the confidentiality of information entrusted to employee by Hilton Head and the parties listed above unless disclosure is authorized or legally mandated and therein employee should advise the Ethics Officer of such disclosure. Employee should protect company information that is sensitive, private or confidential by marking information accordingly, keeping it secure and limiting access to those who have a need to know in order to do their jobs. Proprietary information includes any information that is not generally known to the public and is helpful to Hilton Head, or would be helpful to competitors. It also includes information that suppliers and others have entrusted to us. The obligation to preserve proprietary information continues even after employment ends.

## **8. Company Records and Internal Controls**

We require honest and accurate recording and reporting of information in order to make responsible business decisions. This includes such data as quality, safety and personnel records, as well as all financial records. Do not falsify any document or distort the true nature of a transaction. All financial books, records and accounts, including timesheets, check requests and expense reports, must accurately reflect transactions and events, and conform to law, to required accounting principles and to our system of internal controls. When a payment is made, it can only be used for the purpose spelled out on the supporting document. Do not knowingly make false or misleading entries in any of Hilton Head's books or records or maintain unrecorded or "off the books" funds or assets. Always record transactions in the proper accounting period. All errors in and adjustments to Hilton Head's books should be promptly corrected and recorded when discovered. All estimates and accruals should be supported by appropriate documentation and be based on good faith judgment. Hilton Head has adopted a system of internal controls to help to assure the integrity of our financial records and statements. Hilton Head has also adopted a system of disclosure controls to help to assure that all important information regarding Hilton Head's business and prospects is brought to the attention of the Chief Executive Officer and the Chief Financial Officer. The accuracy and timeliness of compliance is necessary to enable these officers to provide the financial statements and report certifications required by federal law. Employee must strictly adhere to these systems. Employee should also be candid in discussing matters concerning internal controls and business disclosures with Hilton Head's management, internal and outside auditors and Corporate Counsel. Employee should report any violation of these policies as described in the Reporting Concerns section of this Code.

## **9. Personal Community Activities**

Employees' are free to support community, charity and political organizations and candidates and causes of employee's choice, as long as employee makes it clear that employee's views and actions are not those of Hilton Head and that employee does not use Hilton Head's name, funds, property, equipment or services for the support of such organizations, candidates or causes. This includes any contribution of value. Employee must ensure that employee's outside activities do not interfere with employee's job performance. Employee may not pressure another employee to express a view whether or not it is contrary to his or her personal belief, or to contribute to or support political, religious or charitable causes.

## **10. Recording And Retaining Business Communications**

All business records and communications should be clear, truthful and accurate. Business records and communications often become public through litigation, government investigations and the media. Employee should avoid exaggeration, colorful language, guesswork, legal conclusions, derogatory remarks or characterizations of people and companies. This applies to communications of all kinds, including e-mail and "informal" notes or memos. Records should always be retained and destroyed according to our record retention policies.

## **11. Communicating to External Audiences**

To ensure professional and consistent handling, requests from the media should be forwarded to Hilton Head's Investor Relations Department. Requests from financial analysts and shareholders should also be forwarded to Investor Relations. Employee's are expected to cooperate with reasonable requests for information from government agencies and regulators, and to consult with

Hilton Head's Chief Financial Officer or Corporate Counsel before responding to any requests. All information provided should be truthful and accurate. If employee is aware of an imminent or ongoing investigation, audit or examination involving Hilton Head, employee should retain all documents (including computer records) in employee's custody or control relating to the matter under review. The destruction or falsification of a document in order to impede a governmental investigation, audit or examination may lead to prosecution for obstruction of justice. If employee is not sure if a document can be destroyed, or if employee has any questions on the retention of records, please contact Hilton Head's Human Resources Department.

## **12. Public Company Reporting**

Hilton Head is not yet a public company, however, as it's intent to become publicly traded shortly, it is of critical importance that Hilton Head's filings with the Securities and Exchange Commission and reports distributed to shareholders be accurate and timely. Employee may be called upon to provide necessary information to ensure that Hilton Head's public reports are complete, fair and understandable. Hilton Head expects employee to take this responsibility very seriously and to provide prompt and accurate answers to inquiries to Hilton Head's public disclosure requirements. The reporting of any false or misleading information in internal or external financial reports is strictly prohibited. In this regard, Hilton Head's accounting department bears a special responsibility for promoting integrity throughout the organization, with responsibilities to shareholders both inside and outside Hilton Head. The Chief Executive Officer, the Chief Financial Officer and accounting department personnel have a special role both to adhere to these principles themselves and also to ensure that a culture exists throughout Hilton Head as a whole that ensures the fair and timely reporting of Hilton Head's financial results and condition.

## **13. Additional Responsibilities of Managers**

Managers are expected to lead according to our standards of ethical conduct, in both words and actions. Managers are responsible for promoting open and honest two-way communications. Managers must be positive activists and role models who show respect and consideration for each of our associates. Managers must be diligent in looking for indications that unethical or illegal conduct has occurred. If employee ever has a concern about unethical or illegal activities, employees are expected to take appropriate and consistent action, and inform employee's manager.

## **14. How to Get Help**

If employee has questions about this Code of Business Conduct and Ethics, the first place to turn is employee's supervisor or manager. If employee is uncomfortable discussing the issue with employee's supervisor, please talk to another member of management or Human Resources or call the Ethics Officer at 214-515-9685 or visit the Ethics webpage at [www.hiltonheadproperties.net/ethics.html](http://www.hiltonheadproperties.net/ethics.html). Please feel free to approach any level of management with employee's concerns.

## **15. Discipline for Violation**

Employee is responsible for employee's own compliance with the Code. Questions of interpretation should be directed as otherwise provided in this Code or to Hilton Head's Human Resources Department. Failure to comply with this Code will subject employee to disciplinary action, which may include counseling, suspension and/or termination, and may subject employee to civil liability and/or criminal prosecution under applicable law. If employee authorize or permit another to engage

in a violation of this Code, employee will also be subject to disciplinary action and/or other penalties. The Corporate Governance Committee of the Board of Trust Managers is responsible for the administration of this Code.

#### **16. Amendment, Modification and Waiver**

This Code may be amended, modified or waived by the Board of Directors or the Corporate Governance Committee of the Board. Waivers with respect to Officers and Directors may also be granted by the Corporate Governance Committee, subject to the disclosure and other provisions of the Securities Exchange Act of 1934 and the rules thereunder and the applicable rules of the New York Stock Exchange. Waivers for employees (other than officers) may only be granted by the Chief Executive Officer or the President of Hilton Head.

#### **Code of Conduct and Ethics Acknowledgment and Agreement**

I acknowledge that I have read and understood the Hilton Head Properties Code of Business Conduct and Ethics. I agree to conduct myself during my employment with Hilton Head Properties or any of its direct or indirect subsidiaries, affiliates, associates, partnerships and properties in accordance with the Code of Business Conduct and Ethics. Further, I will take initiative to notify the appropriate Officers or Directors if I become aware of a violation of the Code of Business Conduct and Ethics by another employee or trust manager. I understand that a violation of the Code of Business Conduct and Ethics could result in disciplinary action, up to and including termination.

Acknowledged and Agreed to by:

Print Name:

Date:\_\_\_\_\_

**PLEASE SIGN AND DATE THIS FORM AND RETURN IT TO HUMAN RESOURCES**