

POLICY ON CONFLICTS OF INTEREST and ETHICAL CONDUCT

November 8, 2005

General Information

Faison has established itself as a reputable and ethical company, and it expects its employees to conduct business according to the highest ethical standards of conduct. Employment with the Company imposes a duty of loyalty on the employee and a responsibility to act in the best interests of the Company. An employee's personal business dealings that create, or appear to create, a conflict between the interests of the Company and those of the employee are generally prohibited unless specifically disclosed by the employee and approved in writing by the CEO or CFO pursuant to this policy.

The Company recognizes the right of employees to engage in activities outside their employment that are of a private nature and unrelated to the Company's business. However, each employee must disclose any possible conflicts so that the Company may assess and prevent inappropriate conflicts of interest from arising.

A potential or actual conflict of interest occurs whenever an employee is in a position to influence a decision that may result in a personal gain for the employee or an immediate family member (i.e., spouse or significant other, children, parents, siblings) as a result of the Company's business dealings.

An employee who violates this policy may be subject to disciplinary action, including possible termination of employment.

Employee's Responsibilities Regarding Conflicts

An employee's obligations with respect to any relationship and circumstance that may involve an actual or potential conflict of interest are to (1) disclose fully the situation to the CFO and/or CEO and (2) refrain from the relationship or circumstance that creates the conflict of interest unless the CEO or CFO approve such conflict in writing based on full disclosure. In addition, the Company may require any employee to submit periodic disclosure regarding outside business activities and relationships at any time and from time to time as frequently as the Company may deem necessary.

Although it is impossible to specify every situation that might create a conflict of interest, this policy sets forth the ones which most frequently present problems. If an employee has any question whether an action or proposed course of conduct would create a conflict of interest, he or she should immediately contact the CFO for advice.

Outside Employment

Employees are generally required to devote all of their work efforts to the Company and are not permitted to accept outside employment or independent contractor work, absent special

circumstances. Any employee who proposes to engage in any outside employment or independent contractor work must first disclose the proposed arrangement in writing to the Human Resources Director with a request for approval. This disclosure must include a full description of the proposed relationship, including the financial terms, the scope of the relationship and the time for performance of the employee's duties. If approved by the Company in its sole discretion, the employee's secondary employment or independent contractor work should not:

- prevent the employee from fully performing work for which he or she is employed at the Company, including overtime assignments;
- conflict with any of the Company's interests;
- involve organizations that are doing or seek to do business with the Company, including actual or potential vendors or customers; or
- violate provisions of law or the Company's policies or rules.

Financial Interest in Other Businesses and Real Estate Investments

An employee and his or her immediate family may not own or hold any financial interest (as an owner, lender or in any other financial capacity) in a supplier, customer, or competitor of the Company, except where such financial interest consists of securities in a publicly owned company and the securities are regularly traded on the open market.

In addition, an employee must obtain written approval from the CEO or CFO if the employee wishes to invest in private real estate companies or make other commercial real estate investments after his or her employment with the Company begins. Absent written approval, the Company also prohibits employees from buying real estate from the Company, making commercial real estate investments based on proprietary information not made available to the public, soliciting business from Company customers for the employee's investment property, and other similar activities without written approval from the CEO or CFO.

Purchase of Residential Units from the Company's Affiliates

If approval is given for an employee to purchase a residential unit from the Company (or its affiliate), the Company will require the employee to follow the sales guidelines imposed on Company customers, including without limitation the requirements to execute the form sales contract and abide by its terms and to make escrow deposits.

Unless otherwise approved by the Company in its sole discretion, the employee (or his/her immediate family member) will be required to live in the residential unit for at least 24 months after purchase and may not rent or sell the residential unit to others during this 24-month period. If the employee is given special approval to sell the unit within this initial 24-month period, then the employee shall be obligated, first, to resell the unit to the Company (or its affiliate) at the employee's original purchase price, and if the Company declines the offer and the residential unit is sold to a third party within such 24-month period, any net gain on the sale must be paid to the Company at the closing of such sale.

Non-Financial Relationships with Other Businesses

An employee who holds any position of authority (such as serving as a director or manager) with a supplier, customer, or competitor of the Company is required to disclose in writing the full details concerning such relationship to the CEO or CFO of the Company. In such circumstances, a conflict of interest may exist if such employee is in a position to influence decisions with respect to any Company transaction involving such other party or if such relationship might bring into question the employee's continued ability to make independent impartial judgments in the Company's best interest. In such circumstances, or in other circumstances determined by the CEO or CFO to create a potential conflict of interest or the appearance of impropriety, the Company may require that the employee resign such position of authority.

Nonprofit Boards

The Company encourages employee participation in charitable activities, but the decision to join a nonprofit board or otherwise engage in volunteer activities is an employee's alone. Each employee is required to disclose in writing to the CEO or CFO any board memberships or similar positions with any not-for-profit company to whom the Company has contributed in the past or might contribute in the future.

Appropriation or Diversion of Corporate Opportunity

In the course of employment with the Company, employees may have access to sensitive Company or third-party information that is confidential, private or proprietary, including customer lists, business and development plans, pricing strategies and business opportunities. Employees may use such information only for the benefit of the Company, and no employee shall appropriate any such information for his or her own use or the unauthorized use of third parties.

Likewise, no employee shall appropriate to himself or herself or divert to any third party any business or financial opportunity in which he or she knows, or could reasonably anticipate, that the Company would be interested. Examples include, but are not limited to, real estate development and investment opportunities, acquisitions of real properties or real estate businesses, potential contracts with suppliers or customers, and permits from governmental authorities.

Acceptance of Gifts

No employee shall solicit or accept for personal use, or for the use of others, any gift, favor, loan, gratuity, reward, promise of future employment, or any other thing of monetary value that might influence or appear to influence the judgment or conduct of the employee in the performance of his or her job. Employees may accept occasional unsolicited courtesy gifts or favors (such as business lunches, tickets to sporting events, or holiday baskets) as long as the gifts or favors have a market value under \$200, are customary in the industry, and do not influence or appear to influence the judgment or conduct of the employee in the Company's business. The CEO or CFO may exempt an employee from the restrictions in this paragraph as to a specified gift or favor. The exemption must be in writing and be based on sufficient justification.

An employee may entertain potential or actual customers of the Company if such entertainment is consistent with accepted business practices, does not violate any law or generally accepted ethical standards or the standards of the customer organization, and the public disclosure of the surrounding circumstances will not embarrass the Company.

Use of Company and Vendor Assets

Except to the extent such activity or use is very limited, infrequent and consistent with this Policy:

- an employee may not engage in activities on Company time, or use or cause to be used Company facilities, equipment (including any computer resources), materials or supplies for his or her personal convenience or profit
- an employee may not use the facilities, equipment (including any computer resources), materials or supplies of any outside individual or organization doing business, or seeking to do business, with the Company
- an employee may not engage in activities on Company time, or use or cause to be used Company facilities, equipment (including any computer resources), materials or supplies for the benefit of any nonprofit organization such as a trade and professional association, without prior approval by the CEO or CFO.

The use of Company time, Company assets or any other person's assets pursuant to this policy must not:

- involve any prohibited activity;
- interfere with the productivity of the employee or his or her co-workers;
- consume computer system resources or storage capacity on an ongoing basis; or
- involve large file computer transfers or otherwise deplete system resources available for business purposes.

Collaboration with Adverse Parties

No employee shall serve in any capacity on behalf of the Company's adversaries in litigation or threatened litigation, and no employee shall accept, directly or indirectly, any remuneration from such persons. Similarly, no employee shall serve on behalf of, or accept remuneration from, any person or company whose interests are adverse to the Company in arbitration or in proceedings before administrative agencies or other governmental bodies. This prohibition does not apply to any labor arbitration case or to any other proceeding involving the exercise of a right under federal or state labor laws or related statutes.