

**SOUTHERN TRUST MORTGAGE, LLC**

**CODE OF ETHICAL CONDUCT  
DIRECTORS, OFFICERS, & EMPLOYEES**

**POLICY**

# **SOUTHERN TRUST MORTGAGE, LLC**

## **Code of Ethical Conduct Directors, Officers, Managers & Employees**

### **Introduction**

Today, the activities of all business entities are becoming more scrutinized by governmental regulatory authorities, shareholders, clients, and the general public. The ethical conduct of corporate employees has become even more important in the wake of recent business scandals. The mortgage industry has not been immune to such scrutiny and the issue of ethical conduct, and has assumed a leading role in formalizing policies and procedures for ethical behavior. Financial institutions have traditionally recognized their responsibility to act in a manner that inspires public trust and confidence. Business ethical standards must be firm and never be compromised.

The Southern Trust Mortgage, LLC (the Company) Code of Ethical Conduct (the Code) represents explicit corporate policy. It applies to directors, officers, managers and employees (Employees) of all Company affiliates. It is a standard for responsible and professional behavior that should serve as a guide for all business dealings. The Code is based on the fundamental principles of integrity and good judgment. It is intended that it will be a reference and a guide for individual decision making. The Company's Code of Ethical Conduct is designed to deter wrongdoing at every level within each affiliate and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships
- full, fair, accurate, timely and understandable disclosure in reports and documents that the Company files with, or submits to, regulatory organizations and the public
- compliance with applicable governmental laws, rules and regulations
- compliance with applicable FNMA, FHLMC, VA, and FHA regulations
- prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code
- accountability of adherence to the Code

Ethical business conduct and compliance with all local, state and federal laws, rules and regulations are vital in maintaining the public's trust and confidence. In all Company endeavors, two fundamental principles will apply:

- (1) Employees will always place the interests of the Company and its clients first
- (2) Employees have the duty and obligation to make full disclosure of any situation in which his or her private interests conflict with those of the Company or its clients

In all business transactions and dealings where Employees represent the Company, they must adhere to high ethical standards and practices and to conducting themselves in accordance with the Company's policies and procedures. The Company's reputation for integrity is one of its most valuable assets and is dependent on the individual and collective conduct of its Employees. Each Employee must strive to avoid situations that raise questions of ethics between the Employee and the Company, or shareholders or clients.

The following policies represent the position of Southern Trust Mortgage, LLC (the Company) with regard to the ethical conduct of its directors, officers, and employees (Employees). Each Employee is required to be aware of the principles in this Code of Ethical Conduct (the Code), to adhere to its guidelines, and to seek assistance from senior management, supervisory personnel, or the Human Resources Department when any questions arise or a situation develops which may present a problem under the Code.

### **Workplace Environment**

The Company is committed to building an environment of mutual respect that promotes teamwork through honesty, fairness, and decency. The workplace is highly challenging and demands a strong commitment to excellence. Using logic, common sense, and valuing each other as individuals will help create a prosperous and pleasant environment for Employees and clients.

### **Equal Opportunity**

The Company fully supports equal opportunity and affirmative action in all facets of business. Discrimination of any kind will not be tolerated. No Employee, applicant for employment, client or others with whom the Company does business will be treated in a discriminatory manner because of race, gender, religion, color, national origin, sexual orientation, disability, familial or marital status, military or veteran status, age, genetic information or any other protected category. A detailed Equal Employment Opportunity Policy #201 is part of the Company's Employee Handbook.

### **Harassment**

The Company is committed to providing a workplace environment that is free of harassment or conduct that may be considered abusive or offensive. Harassment of Employees for any reason, including sexual harassment, will not be tolerated. It is illegal,

devalues its victims, decreases productivity and damages morale. Policies and procedures are outlined in the Company's Employee Handbook Productive Work Environment Policy #201A.

### **Health and Safety**

The Company strives to provide its Employees with a safe and healthy work environment. All Employees are responsible for achieving this goal and for following logical safety and health rules.

### **Confidential Information**

Information is a valuable Company asset. The Company's Employees have a duty to safeguard confidential and proprietary information about the Company itself and information that the Company's suppliers, vendors, and clients have entrusted to it.

Confidential and proprietary information is that information that has not been disclosed to the general public or that gives the Company an advantage over its competitors or that could expose the Company to harm or liability if released inappropriately. Common examples would be certain financial information, physical security data, corporate strategy, information about relationships with our suppliers, vendors, clients and employees, as well as trademarks and trade secrets, and any information which may have a determining influence on any transaction involving any type of Company security.

Employees have a duty to protect confidential and proprietary information, including the personal financial information of other employees. Confidential or proprietary information should never be discussed outside of the confines of the Company. This type of information should never be disclosed to third parties without proper authorization. Financial information regarding the Company is not to be communicated in any way to any person unless it has been published in reports to the Company's shareholders or otherwise made generally available to the public. Confidential information acquired through the course of employment that pertains to the Company, its suppliers, vendors, and clients are to be used solely for financial services purposes and not as a basis for furthering a private interest or as a means of personal gain.

Information about a client should only be communicated to other persons or organizations according to standard procedures in compliance with the Company's privacy policy or when authorized by the customer or required by law. An Employee may not seek, gain access to, nor disclose confidential information of clients for any unauthorized purpose. Disclosure of such information to other Company personnel should be kept to a minimum and be on a need-to-know basis. Confidential or proprietary client information should never be discussed outside of the confines of the Company.

Our clients must have complete trust in the Company's ability to handle and safeguard confidential information. All Employees must conduct themselves in a way that will reflect positively on the Company and will enhance the confidence of our clients. Should any Employee have a request for confidential or proprietary information that has not been

authorized to be released, that request should be referred to the Employee's supervisor or other officer.

### **Media Policies**

Employees are not to answer inquiries from any type of news media about or on behalf of the Company or any of its clients. Any questions from the media are to be directed to the Company's President.

### **Violation of Policy**

Breach of this policy and any of the above paragraphs pertaining to confidential and proprietary information can result in legal action against the Employee and the Company, and can be cause for termination of employment. In addition, breach of this policy may also be a violation of the provisions of state and federal regulations related to the privacy of Company records.

### **Conflicts of Interest**

Employees have an obligation to conduct business within guidelines that prohibit actual or potential conflicts of interest. A conflict of interest occurs whenever an Employee's private interests interfere with the interests of the Company. A conflict of interest can also arise whenever an Employee, or member of his/her family, has an interest, direct or indirect, in an entity dealing with the Company, and the interest is of such an extent or nature that his/her decisions might be affected or determined by it. Each Employee is expected to manage personal and business affairs so as to avoid situations that might lead to conflict, or even an appearance of conflict, between the Employee's self interest and his or her duty to the Company. The following information is provided for specific types of conflicts of interest:

### **Outside Employment & Activities, Directorships, & Fiduciary Appointments**

Employees may not work for or receive compensation for services from any competitor, client, vendor, supplier, or any other outside source without the prior approval of the Employee's supervisor. Employees may not serve on the board of directors of another public company or of a governmental agency without the prior approval of the Employee's supervisor. Employees must receive permission from his/her supervisor to serve in any fiduciary capacity for any individual or organization.

Outside employment and outside activities present the same potential problems and may conflict with what the Company does or may be interested in doing or may cause employees to have divided loyalties. Employees who desire outside employment must carefully avoid conflicts regarding employment transactions, hours of work, or any other potential issue which may interfere with Company activities. An Employee's commitment to the Company is his or her first responsibility. The Company will not permit outside employment or involvement in outside activities that may interfere or conflict with the interests of the Company.

Requests by Employees to participate in outside employment or activities must be made in writing. Supervisory permissions referenced above must also be in writing with the original placed in the Employee's personnel file and a copy given to the Employee.

Employees may participate in civic, church, and political activities of their choice. Such activities must not unduly interfere with the Employee's job, and the Employee must not give the impression, either direct or implied, that his or her specific actions or views are representative of those of the Company. When any such activity requires the Employee to be away from their job with the Company, prior approval from the Employee's supervisor is required. This is addressed in the Company Employee Handbook under Participation in Community Affairs #902.1.

### **Employment of External or Internal Audit Personnel**

In accordance with the rules promulgated under the Sarbanes-Oxley Act, the Company will not hire any principal or employee of the Company's external audit firm in a financial oversight role if the principal or employee was a member of the audit engagement team during the current or immediately preceding audit period.

The Company will not hire any principal or employee of the Company's internal audit firm in a financial oversight role without prior approval of the Company's President and President of MFC.

### **Signature Authority**

Should an Employee obtain signature authority on any account of an outside organization that maintains that account with the Company, the signatory relationship is to be reported to the Employee's supervisor who will inform the Company's Human Resources Department.

Questions pertaining to appropriate outside activities are to be referred to the Company's Human Resources Department.

### **Material Connection/Substantial Interest**

No Employee shall acquire for the Company any service, goods, equipment, machinery, property or securities from a firm, broker, vendor, supplier or contractor in which he or she has a material connection or substantial interest as defined herein without obtaining permission from the Company's President.

### **Investments**

Employees may not have financial interests in any Company competitor, client, vendor or supplier where this interest would influence, or appear to influence, their actions on behalf of the Company. It is improper for an Employee to invest in a Company client's business unless the interest is acquired through an organized securities exchange, and the Company has no access to confidential information of the client's business. It is improper for an Employee to subscribe to new issues of stock in a Company client's business. No Employee will invest in a Company client's business, or enable others to do

so, as a result of confidential inside information. Employees are not to accept special investment favors offered because of the Employee's Company relationship or position.

Major securities exchanges require that members avoid handling speculative accounts of Company employed persons without the consent of the Company. Speculative investments such as margin buying, short accounts, puts, calls, or combinations thereof are discouraged when these transactions involve Company securities.

There are no restrictions placed on Employees when investing in U. S. Government securities, municipal bonds, or mutual funds.

### **Acceptance of Gifts and Entertainment**

The acceptance of gifts and entertainment by Employees or members of their family from clients, vendors, or suppliers may present a conflict of interest. While Employees are permitted to accept gifts of nominal value (generally considered being \$100 or less), they are prohibited from accepting anything that might reasonably be considered to affect their judgment or that is accompanied by any express or implied understanding that they are obligated to do something in exchange for the gift. The Company has developed a separate "Gifts and Gratuities" policy which can be found in the Company Employee Handbook under policy #806(5).

### **Loans to Employees**

The Company may make loans to Employees provided that any such loans are being made in the ordinary course of business and in accordance with the Company's specific lending policies as outlined in the Company Employee Handbook Extra Benefits Policy #504. Loans to Executive Officers, Directors, and Principal Shareholders may be made only as permitted by federal and state regulations.

### **Use of Company Time and Assets**

Employees may not perform work for outside organizations or individuals by utilizing the Company's time, premises, materials, equipment, or other assets. This prohibition includes any solicitation or distribution activities not related to the Company.

Employees are expected to maintain the proper allocation and use of Company assets, tangible and intangible. For purposes of this Code, Company assets include equipment, supplies, real estate, premises, tools, inventory, funds, computer hardware, software, and data, records and reports, non-public information, and voice or e-mail communications. Employees have an obligation to protect the Company's assets from loss, damage, misuse, theft and sabotage. Company assets are to be used for Company business only. Any other use of Company assets must be approved by the Company's President.

### **Insider Trading**

Employees may become aware, during the course of their employment duties, of information about the Company or other companies that is not available to the general public. The use of such non-public or "inside" information for securities trading purposes is strictly forbidden, whether by the Employee or any of his or her family members, or

any other person to whom the Employee may have communicated the information. Such trading activity is unethical and illegal, and may expose the Employee to civil and criminal penalties.

### **Client Advice**

Employees are not to engage in any discussion or written communication with a client that could be interpreted as direct or implied legal advice.

Employees are not to recommend to clients the services of accountants, attorneys, or financial services professionals either on a volunteer or solicited basis if there is any potential conflict of interest between the employee and those of the Company or its clients i.e. recommending the service of family members.

Employees may recommend to clients the services of accountants, attorneys, or financial services professionals on a volunteer or solicited basis if it is conducted in relation to the business transactions and dealings with the client as part of the overall client relationship.

### **Illegal Activities**

Employees may not engage in any illegal activities as defined by Federal, State or local laws. Payments in the form of bribes or kickbacks to Employees are prohibited. No Employee may knowingly make any false or misleading statement.

If, in the opinion of the Company, any Employee commits any illegal act, severe and appropriate disciplinary action will occur including the potential immediate termination of employment and possible legal action.

### **Financial Institution Bond**

All Company Employees are covered by the Company's Financial Institution Bond insurance. The Company will not continue to employ anyone who ceases to be eligible for this coverage. Coverage under the Bond ceases for any Employee who is proven to have committed a dishonest, fraudulent, or illegal act against the Company. Dishonest, fraudulent, and illegal acts committed by an Employee against another person will also cause termination of this insurance coverage if known to the Company.

### **Applicant Background Checks**

The Company can conduct credit and background reviews of potential Employees as a routine part of the Employee recruiting process.

### **Accuracy of Company Records**

Various state and federal laws require the Company to insure that its records accurately and fairly represent transactions and that assets, liabilities, capital, income, expense and any off-balance sheet data are stated truthfully and without error. Administrative and accounting controls must be implemented to provide reasonable assurance that the Company is in compliance with all such laws and that financial and other reports are accurate and reliable, prepared in a timely manner, and fully and fairly disclose all required or material information.

Middleburg Financial Corporation is a public Company and its shares are listed for trading on the NASDAQ exchange. The Company is obligated to make various disclosures to the public and is committed to full compliance with all requirements applicable to its public disclosures. The Company has implemented disclosure controls and procedures to ensure that its public disclosures are timely, compliant, factual, complete, accurate, and understandable. All Employees responsible for the preparation of the Company's public disclosures, or who provide information as a part of that process, have a duty to assure that such disclosures and information are complete, accurate, and in compliance with the Company's disclosure controls and procedures. All transactions involving the Company must be fully and accurately recorded to permit preparation of the Company's financial statements in conformity with generally accepted accounting principles and any related requirements.

It is a violation of Company policy and illegal for any Employee to purposely cause the records of the Company to be inaccurate or misleading in any way. All Employees are expected to cooperate fully with internal and independent auditors, external accountants, regulatory examiners, and any other outside vendors contracted to review any Company records.

The Sarbanes-Oxley Act has placed additional responsibility on the Audit Committees of public companies for overseeing financial reporting and audit related matters. In connection with that legislation, MFC's Audit Committee has established procedures to receive, retain and investigate complaints regarding accounting, internal accounting controls or auditing matters. These procedures also insure that any such complaints received from Company employees can be submitted anonymously and in complete confidence.

The noted complaint procedures have been specifically created for this purpose and can be found in the Company Employee Handbook titled, "Whistleblower Policy #905 ". Every Employee of the Company is strongly encouraged to report any questions, concerns, or complaints regarding fraudulent, negligent, misleading, or questionable accounting or audit practices according to these prescribed procedures.

The Company will not discriminate or retaliate against an Employee for reporting a question, concern, or complaint regarding these matters.

#### **Disclosure of the Code of Ethical Conduct**

The Company will publicly disclose its Code of Ethical Conduct in accordance with current applicable laws and legislation.

#### **Amendments to the Code of Ethical Conduct**

Any amendment of the Code of Ethical Conduct must be publicly disclosed and board approved in accordance with current applicable laws and legislation.

### **Waivers of the Code of Ethical Conduct**

Any request by an Employee for a waiver of any standard in this Code can only be granted by the Company's President. Waivers involving any of the Company's executive officers, senior financial officers, or directors may only be granted by the Company's Board of Directors. All Employees should be aware that the Company will not generally grant such waivers and will make an exception only in extreme instances of good cause.

### **Disciplinary Action**

Violations of this Code of Ethical Conduct may jeopardize the good reputation and financial health of the Company. Employees are expected to be familiar with this Code and to comply with it. Allegations of potential wrongdoing or violations of the Code will be investigated by the appropriate Company personnel or outside source as determined by the Company's President and/or Board of Directors. All Employees are required to cooperate completely with any internal or external investigation. Employees must maintain the confidentiality and authenticity of any such investigation to include any related documentation.

Appropriate disciplinary penalties for proven violations of the Code can include counseling, reprimand, warning, and suspension with or without pay, demotion, salary reduction, restitution if applicable, and termination. Any person who takes any action in retaliation against any Employee who has in good faith raised a question or concern about compliance with this Code of Ethical Conduct will be subject to disciplinary action to include potential termination.

### **Employee Responsibility**

Ethical problems and issues are not always easily recognizable. The following signs may indicate a possible ethical issue:

- Employee feels uncomfortable about a business decision or about something that he or she has been asked to do
- Employee has witnessed a situation that made him or her or someone else feel uncomfortable
- Employee feels that the Company would be embarrassed or damaged if the situation became public

It is the Employee's responsibility to bring any such questionable situations to the attention of his or her supervisor or to the Company's President or Human Resources Department.. If an Employee is not sure of whether or not an ethical situation exists, the issue should be appropriately discussed regardless. Any such discussions will be treated in a sensitive and appropriate manner, and no Employee will be subject to any retaliatory or disciplinary action for raising questions in good faith.

**Matters Not Covered by the Code**

The Board of Directors and senior management of the Company recognizes that it is impossible to define every practice that could constitute an objectionable conflict or breach of ethics. Accordingly, the omission of any specific policy of limitation or prohibition noted above shall not be regarded as approval of practices or conditions not specifically covered.

## History

Board Approved	02/03/2009
Revision Made: Financial Institution Bond, paragraph 2	02/02/2010
Annual Board Approval	02/19/2010
Revision Made: Various word changes to match MFC's Code of Conduct Added Employment of External or Internal Audit Personnel Added Signature Authority Revised Material Connection/Substantial Interest Revised Client Advice Revised Accuracy of Company Records Added Disclosure of the Code of Ethical Conduct Added Code of Ethical Conduct: Executive Officers Addendum Added section 902.1 to Handbook to match policy Corrected location of Whistleblower policy from 809 to 905	01/31/2011
Annual Board Approval	02/24/2011

## Code of Ethics Employee Acknowledgement Form

I acknowledge that I have received, read, and understand the Code of Ethical Conduct of Southern Trust Mortgage, LLC, and I agree to abide by its standards. I realize that I will be held accountable for my adherence to the Code, and I fully understand my obligations as specified in the Code.

I also acknowledge that I have had the chance to ask any questions about the STM and MFC Code of Ethics.

---

Employee Signature

---

Print Name

---

Title or Position

---

Date