

RUEDI SHORES HOMEOWNER'S ASSOCIATION, INC

CONFLICT OF INTEREST POLICY

In compliance with the Colorado Common Interest Ownership Act, the Board of Directors of the Association desires to adopt a uniform and systematic policy to address conflicts of interest.

The Association hereby adopts the following policies and procedures for handling Board members' conflicts of interest.

1) **GENERAL DUTY**

The Board of Directors shall use its best efforts at all times to make decisions that are consistent with high principles, and to protect and enhance the value of the community. All members of the Board shall exercise their power and duties in good faith and in the best interest of, and with utmost loyalty to, the Association. All members of the Board shall avoid conflicts of interest and conflicting interest transactions in their dealings with and representation of the Association, and shall avoid any appearance of impropriety in those dealings.

2) **DEFINITIONS**

- a) **"Conflict of interest"** means circumstances under which a Board member may be unduly influenced in his or her decision making process in favor of or against any particular action.
- b) **"Conflicting interest transaction"** means a contract, transaction or other financial relationship between: the Association and a Board member, or between the Association and a party related to a Board member, or between the Association and an entity in which a Board member of the Association is a director or officer or has a financial interest.
- c) **"Party related to a Board member"** means a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the Board member or party related to a Board member has a beneficial interest, or an entity in which a party related to a Board member is a director, officer, or has a financial interest.
- d) **"Officer,"** for purposes of this policy only, means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

Unless otherwise defined in this Policy, capitalized terms herein shall have the same meaning as in the Declaration or the Association's Articles of Incorporation or Bylaws.

3) **DISCLOSURE OF CONFLICT OF INTEREST OR CONFLICTING INTEREST TRANSACTION**

Prior to discussion and vote, the interested Board member shall disclose, at an open meeting of the Board, that a contract, transaction, or other financial relationship being contemplated by the Board may constitute a Conflicting Interest Transaction with such Board member, and the interested Board member shall describe the facts surrounding the particular conflict. If a Board member other than the interested Board member, in good faith, believes that the interested Board member has a conflict of interest, or that the contract, transaction or other financial relationship being contemplated or discussed might constitute a conflicting interest transaction, then such other Board member may disclose the facts upon which such belief is formed, and the remainder of the Board, not including the interested Board member, shall make a good faith determination as to whether a conflict of interest or Conflicting Interest Transaction exists. Such disclosure shall be reflected in the minutes of the meeting or other written form.

4) **ACTION UPON DISCLOSURE**

After the interested Board member makes such a declaration, or the remainder of the Board determines that a conflict of interest or a Conflicting Interest Transaction exists, the interested Board member may be counted as present for purposes of establishing a quorum of the Board, but the interested Board member shall not take part in the discussion and the vote on the matter. The Conflicting Interest Transaction, Board decision or other Board action must be approved by a majority of the disinterested Board members. No transaction, Board decision or other Board action in which a Board member has a conflicting interest shall be approved unless it is commercially reasonable to and/or in the best interests of the Association.

5) ENFORCABILITY OF CONFLICTING INTEREST TRANSACTION

Notwithstanding anything to the contrary herein, no Conflicting Interest Transaction shall be set aside solely because an interested Board member is present at, participates in or votes at a Board or committee meeting that authorizes, approves or ratifies the conflicting interest transaction if:

- a) the material facts as to the Board member's relationship or interest as to the Conflicting Interest Transaction are disclosed or known to the Board of Directors or the committee, and the Board or committee in good faith authorizes, approves, or ratifies the Conflicting Interest Transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors may be less than a quorum; or
- b) the material facts as to the Board member's relationship or interest and as to the Conflicting Interest Transaction are disclosed or known to the Board members entitled to vote on the transaction, if any, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the Board members entitled to vote; or
- c) the Conflicting Interest Transaction is fair to the Association.

6) NO LOANS TO BOARD MEMBERS

No loans shall be made by the Association to its directors or officers. Any director or officer who assents to or participates in the making of any such loan shall be liable to the Association for the amount of such loan until the repayment of the loan.

7) VIOLATION OF POLICY

A transaction entered into, or action taken, in violation of this policy may be declared void by a majority of eligible Board members. Further, the Association may seek restitution for damages resulting from the Board member, or members, who failed to comply with this policy, including all costs and attorney fees incurred in obtaining said restitution.

8) SUPPLEMENT TO LAW

The provisions of this Policy shall be in addition to and in supplement of the terms and provisions of the Articles of Incorporation, Covenants, Bylaws, Rules and the law of the State of Colorado governing the community.

9) DEVIATIONS

The Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances.

10) AMENDMENT

This Policy may be amended from time to time by the Board.

CERTIFICATION

The President and Secretary of the Board of Directors of the Ruedi Shores Homeowners Association, Inc. hereby certify that the foregoing Covenant Enforcement Policy was adopted following a vote and approval of a majority of the Board Members eligible to vote, as required by the Association's Bylaws, on Sept 8, 2014 and in witness thereof the undersigned have subscribed his/her names.

**RUEDI SHORES HOMEOWNERS ASSOCIATION, INC.,
a Colorado nonprofit corporation**

By: Lynn Colhoun
Lynn Colhoun, President

ATTEST:
By: Ann Morris
Ann Morris, Secretary