

**RESOLUTION
OF THE
RED HAWK HOMEOWNERS ASSOCIATION, INC.
REGARDING POLICIES AND PROCEDURES
FOR THE
CONFLICTING INTEREST TRANSACTIONS**

SUBJECT: Adoption of a policy regarding conflicting interest transactions and a Director code of ethics.

PURPOSE: To adopt a uniform procedure to be followed when there is a conflicting interest transaction to ensure proper disclosure of the conflict.

AUTHORITY: The Declaration, Articles of Incorporation and Bylaws of the Association and Colorado law.

EFFECTIVE DATE: October 10, 2013

RECITALS:

A. Pursuant to C.R.S. 38-33.3-209.5(1)(b)(II), the Association is required to adopt a policy concerning how to handle conflicts of interest involving Board members.

B. The executive Board has reviewed subsection 310.5 of the Colorado Common Interest Ownership Act and believes that subsection establishes a good analysis of possible conflicts of interest involving members of the Board of Directors.

C. The Executive Board believes liability for actual damages is an adequate remedy for violations of the Association's conflict of interest policy.

RESOLUTION: The Association hereby adopts the following procedures regarding conflicting interest transactions.

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 properties of the Owners and the Association. All Directors shall exercise their power and duties in good faith and in the best interest of, and with utmost loyalty to the Association. All Directors shall comply with all lawful provisions of the Declaration and the Association's Articles, Bylaws, Guidelines, and Rules and Regulations.
2. **Definitions.**
 - (a) "Conflicting interest transaction" means a contract, transaction, or other financial relationship between the Association and a Director, or between the Association and a party related to a Director, or between the Association and an entity in which a Director of the Association is a director or officer or has a financial interest.
 - (b) "Director" means a member of the Association's Board of Directors.
 - (c) "Party related to a Director" means a spouse, a descendant, an ancestor, a sibling, the spouse or descendant of a sibling, an estate or trust in which the Director or a party

related to a Director has a beneficial interest, or an entity in which a party related to a director is a director, officer, or has a financial interest.

(d) "Financial interest" means a) an ownership or investment interest in any entity with which the Association has, or contemplates a transaction or agreement; b) a compensation arrangement with the Association or with any entity or individual with which the Association has a transaction or arrangement; or c) a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Association is negotiating a transaction or agreement.

3. **Loans.** The Association shall make no loans 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 the loan until it is repaid.
4. **Disclosure of Conflict.** Any conflicting interest transaction on the part of the Board of Directors or party related to a Director shall be verbally disclosed to the other Directors in open session at the first open meeting of the Board of Directors at which the interested Director is present prior to any discussion or vote on the matter.

The interested Director shall not be present during nor participate in the discussion and vote on the matter. The minutes of the meeting shall reflect the disclosure made, the abstention from voting, the composition of the quorum and record who voted for and against.

5. **Enforceability of Conflicting Interest Transaction.** No conflicting interest transaction shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a Member or by or in the right of the Association solely because the conflicting transaction involves a Director of the Association or a party related to a Director or an entity in which a Director of the Association is a director or officer or has a financial interest or solely because the Director is present at or participates in the meeting of the Association's Board of Directors or of the committee of the Board of Directors that authorizes, approves, or ratifies the conflicting interest transaction or solely because the Director's vote is counted for such purpose if:

- (a) The material facts as to the Director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors 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 are less than a quorum; or
- (b) The material facts as to the Director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Members entitled to vote thereon, and the Conflicting Interest Transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote thereon; or
- (c) The Conflicting Interest Transaction is fair as to the Association.

Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes, approves, or ratifies the conflicting interest transaction.

6. **Code of Ethics.** In addition to the above, each Director and the Board as a whole shall adhere to the following Code of Ethics:

- (a) No Director shall use his/her position for private gain, including for the purpose of enhancement of his/her financial status through the use of certain contractors or suppliers.
 - (b) No contributions will be made to any political parties or political candidates by the Association.
 - (c) No Director shall solicit or accept, directly or indirectly, any gifts, gratuity, favor, entertainment, loan or any other thing of monetary value from a person who is seeking to obtain contractual or other business or financial relations with the Association.
 - (d) No Director shall accept a gift or favor made with the intent of influencing a decision or action on any official matter.
 - (e) No Director shall receive any compensation from the Association for acting as a volunteer.
 - (f) No Director shall willingly misrepresent facts to the members of the community for the sole purpose of advancing a personal cause or influencing the community to place pressure on the Board to advance a personal cause.
 - (g) No Director shall interfere with a contractor engaged by the Association while a contract is in progress. All communications with Association contractors shall go through the Board President or be in accordance with policy.
 - (h) No Director shall harass, threaten, or attempt through any means to control or instill fear in any member, Director or agent of the Association.
 - (i) No promise of anything not approved by the Board as a whole can be made by any Director to any subcontractor, supplier, or contractor during negotiations.
 - (j) Any Director convicted of a felony shall voluntarily resign from his/her position.
 - (k) No Director shall knowingly misrepresent any facts to anyone involved in anything with the community that would benefit himself/herself in any way.
 - (l) Language and decorum at Board meetings will be kept professional. Personal attacks against owners, residents, managers, service providers and Directors are prohibited and are not consistent with the best interest of the community.
7. **Definitions.** Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.
 8. **Supplement to Law.** The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the community.
 9. **Review.** This Policy will be periodically reviewed when deemed appropriate by the Board of Directors.
 10. **Deviations.** The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.

PRESIDENT'S CERTIFICATION: The Undersigned, being the President of the Association certifies that the foregoing Resolution was adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors on OCT 1, 2013 and in witness thereof, the undersigned has subscribed his/her name.

RED HAWK HOMEOWNERS ASSOCIATION, INC.,
a Colorado nonprofit corporation

By: Ralph Jellerton
President

