

Resolution of the Townhomes at Red Hawk Homeowner's Association Regarding Conflict of Interest Policy

Subject: Conflict of Interest Policy

Purpose: To adopt a procedure and policy to be followed for conflicts of interest within the Board of Directors

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

Effective Date: December 01, 2006

Resolution: The Association hereby adopts the following procedures to be followed for conflict of interest by a Director.

1. Scope: To define procedures to be followed if a conflict of interest of the Board of Directors.

2. Specifics:

The Board of Directors at all times has the fiduciary duty to make decisions in good faith in a prudent manner and in the best interests of the Association.

A conflict of interest shall be defined as:

- "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.
- "Director" means a member of the Association's Board of Directors.
- "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 or officer or has a financial interest.

A director that falls under the category of a potential conflict of interest must disclose such conflict if possible prior to any discussion is begun on the subject which a potential conflict does or may exist. The director must reclude themselves from the discussion in its entirety as a director and may not vote on the subject.

A director who has recluded himself or herself, may participate as a member of the meeting (not as a director) if they have moved away from the directors and are providing additional information as other members of the meeting have the right to provide.

Whenever possible, conflicts of interest should be avoided. This will allow the directors to provide fiduciary duty without the semblance of impropriety.

At times, directors may receive gifts from contractors or vendors. Whenever possible, these gifts should be refused or shared with the community to remove any semblance of impropriety.

At all times, directors should treat all contractors and vendors with full professional courtesy.

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 the loan until it is repaid.

No conflicting interest transaction shall be voidable by an Owner or on behalf of the Association if:

- The facts about the conflicting interest transaction are disclosed to the Board, and a majority of the disinterested Directors, even if less than a quorum, in good faith approves the conflicting interest transaction;
- The facts about the conflicting interest transaction are disclosed to the Owners entitled to vote on the matter, and the conflicting interest transaction is authorized in good faith by a vote of the Owners entitled to vote on the matter; or
- The conflicting interest transaction is fair to the Association.

3. Definitions: Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

4. 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 Project.

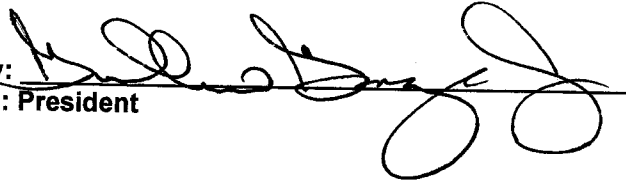
5. Deviations: The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.

6. Amendment: This procedure may be amended from time to time by the Board of Directors.

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 and in witness thereof, the undersigned has subscribed his/her name.

Townhomes at Red Hawk Homeowners Association

By: _____
Its: President

A handwritten signature in black ink, appearing to be "Paul D. [unclear]", written over a horizontal line. The signature is cursive and somewhat stylized.