

RAINBOW LAKE ESTATES HOMEOWNERS ASSOCIATION

POLICY

BOARD MEMBER CONFLICTS OF INTEREST

SUBJECT: Adoption of a policy and procedure regarding Director conflicts of interest and a code of ethics.

PURPOSE: To adopt a policy and procedure to be followed when a Director has a conflict of interest to ensure proper disclosure of the conflict, define voting procedures and to adopt a code of ethics for Directors.

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

EFFECTIVE DATE: *January 8, 2014*

RESOLUTION: The Association hereby adopts the following policy and procedure regarding Director conflicts of interest and code of ethics:

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 members and 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, and Rules and Regulations.

2. Definition

(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) "Non-financial conflict" means any decision, transaction or other action proposed to be taken by the Board in which a Director would be unable to independently, and free of undue influence, determine his/her vote upon such decision or transaction because of non-financial circumstances.

(c) "Director" means a member of the Association's Board of Directors.

(d) "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.

3. Loans

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.

4. Disclosure of Conflict

Any conflicting interest transaction on the part of any Director 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. After disclosure, the Director may participate in the discussion but shall not vote on the matter. The minutes of the meeting shall reflect the disclosure of the conflict, 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 voidable by an Owner or on behalf of the Association if:

(a) 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;

(b) 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

(c) The conflicting interest transaction is fair to the Association.

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 personal 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 normally go through the Board President or be in accordance with policy. In the event a Director observes a condition noted to be unsafe or not in the interest of the community, he/she may direct the contractor to stop work. In the event such notice is provided to a contractor, the Director shall notify the remaining Board members verbally or by email within 24 hours.

(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 commitment not approved by the Board as a whole may 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 which 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. 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.

10. Amendment

This policy may be amended from time to time by the Board of Directors.

PRESIDENT'S CERTIFICATION: The undersigned, being the President of the Rainbow Lake Estates Homeowners Association a Colorado nonprofit corporation, certifies that the foregoing Policy was adopted by the Board of Directors of the Association in accordance with the Association Bylaws on January 7, 2014 and in witness thereof, the undersigned has subscribed his/her name.

RAINBOW LAKE ESTATES HOMEOWNERS ASSOCIATION,

a Colorado nonprofit corporation,

A handwritten signature in black ink, appearing to read "D. J. Swain". The signature is written in a cursive style with a large initial "D" and a long horizontal stroke at the end.

By:

President,

Rainbow Lake Estates Home Owners Association