

HANDLING OF CONFLICTS OF INTEREST INVOLVING BOARD MEMBERS

1. 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 Associations' 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 or officer or has a financial interest.

2. If any contract, decision, or other action taken by or on behalf of the Board would financially benefit any Director or any party related to a Director, that Director shall declare a conflict of interest for that issue. 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 and may vote of the matter, at the sole discretion of the remaining disinterested Directors at the meeting. The minutes of the meeting shall reflect the disclosure made, the composition of the quorum and shall record who voted for and against.

3. The interested Director may be counted as present when determining whether a quorum of the Board exists and for voting on all other matters before the Board.

4. 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.

5. 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 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.