

A Resolution of Morningside Homeowners Association, Inc.

Subject: **Conflicting Interest Transactions**
Purpose: To clarify policy
Authority: Morningside's Declaration, Bylaws and Articles of Incorporation, and Colorado Law
Effective Date: January 1, 2007

RESOLUTION: The Morningside Condominium Association, Inc. hereby adopts the following policies and procedures regarding Conflicting Interest Transactions.

Definitions.

- (i) "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.
- (ii) "Director" means a member of the Association's Board of Directors.
- (iii) "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.

Handling of Conflicting Interest Transactions. 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 briefly participate in the discussion. However, the Director may not be counted toward quorum on the matter, and may vote on the matter. The minutes of the meeting shall reflect the disclosure made, the abstention from voting, and the quorum situation.

See also *Amended and Restated Bylaws of Morningside Homeowners Association, Inc.*, Pages 9-10, Article 4.12. If any conflict exists between the Bylaws and this Resolution, the more restrictive provision is to be applied. For example, the Bylaws' has a \$500 threshold for determining the existence of a conflict. This resolution has a more restrictive \$0 threshold ("has a financial interest"). Therefore the more restrictive \$0 threshold is to be applied.

No 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.

Permissible Conflicting Interest Transactions. No conflicting interest transaction shall be voidable by an Owner or on behalf of the Association if:

- (i) 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;
- (ii) The facts about the conflicting interest transaction are disclosed or 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
- (ii) The conflicting interest transaction is fair to the Association.

Morningside Homeowners Association, Inc.