

AVON TOWN SQUARE, LOT 2, CONDOMINIUM ASSOCIATION

CODE OF CONDUCT AND CONFLICTS OF INTEREST POLICY

(Effective Date: April 21, 2016)

The Avon Town Square, Lot 2, Condominium Association, Inc. (the "Association") is a commercial common interest association of owners that was organized under the provisions of the Colorado Revised Nonprofit Corporation Act (the "Act") and is subject to many of the terms and provisions of the Colorado Common Interest Ownership Act ("CCIOA"). Under Section 209.5 of CCIOA, every condominium association is required to adopt responsible governance policies. One of these written policy statements must include a description of the method by which members of the Board of Directors ("Board") handle conflicts of interest. Sections 209.5 and 310.5 of CCIOA require specific conflict of interest standards and requirements and also provide that any standards and requirements adopted by the Board must be consistent with the Act.

This policy statement concerning conflicts of interest has been adopted by the Board in order to ensure that the Board members, and all individuals appointed to committees of the Board, maintain a high standard of ethical conduct in the performance of the Association's operations and adhere to the conflict of interest standards and requirements in the Act. In this fashion, the owners will be able to have confidence in and respect for the Association's leadership.

A. **Definitions.** In this policy statement, the words and phrases below will have the following meanings.

1. "Person" shall mean any director or member of a committee with Board delegated powers and shall also include, without limitation, any officer of the Association or any manager, attorney or accountant employed by the Board.
2. "Owner" shall mean a member of the Association who owns a condominium unit.
3. "Interested person" shall mean any director, principal officer, or member of a committee with Board delegated powers who has a financial interest in any relevant transaction.
4. "Member" means an owner or a member of a committee with Board delegated powers.
5. "Conflicting interest transaction" shall mean a contract, transaction, or other financial relationship between the Association and an interested person or between the Association and an entity, trust or estate in which the interested person or a member of the interested person's family is a director or officer or has a financial or beneficial interest.

6. “Compensation” shall mean and include direct and indirect remuneration as well as gifts or favors that are substantial in nature.

B. General Rules.

1. No person shall accept a gift or favor made with the intent of influencing a decision or action on any Board or Association matter.

2. No person shall intentionally misrepresent facts to any owners or Board members for the purpose of advancing a personal cause or influencing owners to place pressure on the Board to advance such person’s personal cause.

3. No person shall interfere with the system of management established by the Board and the management company.

4. No person shall interfere with the duties of any staff member of the Association or the management company.

5. No person shall accept or participate in the making of any loan by the Association to any of its directors or officers or any manager, attorney or accountant employed by the Board.

C. Procedures.

1. Duty to Disclose. In connection with any actual or possible conflicting interest transaction, an interested person must disclose the existence and material facts relating to his or her financial interest to the directors and committee members with Board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest or other facts surrounding a potential conflict, the interested person shall leave the Board or committee meeting while the remaining Board or committee members decide if a conflict of interest exists. If the remaining members determine by a majority vote that there is a conflicting interest transaction, they must then follow the procedures set forth below.

3. Procedures for Approving Conflicting Interest Transactions.

3.1 The remaining Board or committee members shall first decide whether it is appropriate to withhold a vote on the proposed conflicting interest transaction or arrangement while investigating alternatives in order to ascertain whether the Association can obtain a more advantageous transaction or arrangement with reasonable efforts from a person or entity that would not give rise to a conflicting interest transaction.

3.2 If and when it is determined by the remaining Board or committee members that it is appropriate to vote on the proposed conflicting interest transaction, and if the remaining Board or committee members also determine that the interested person should be permitted to participate and vote on the question, the question shall be put to a vote of all of the directors or members.

3.3 If it is determined by the remaining Board or committee members that it is appropriate to vote on the proposed transaction, but that the interested person should not be permitted to participate and vote on the question, the question shall be taken up by a discussion and vote of all of the directors or members except for the director or member who is an interested person.

3.4 The approval of the conflicting interest transaction shall only take place under one of the following scenarios:

3.4.1 The material facts as to the interested person's relationship and the conflicting interest transaction are disclosed or are known to the directors entitled to vote thereon, and the directors in good faith authorize, approve or ratify 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

3.4.2 The material facts as to the interested person's relationship and the conflicting interest transaction are disclosed or are known to the directors entitled to vote thereon, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the directors entitled to vote thereon; or

3.4.3 The directors make an independent determination that under all prevailing circumstances the conflicting interest transaction is fair to the Association.

4. Violations of the Conflicts of Interest Policy.

4.1 If the Board or any committee with Board delegated powers has reasonable cause to believe that a director or member has failed to disclose actual or possible conflicts of interest, it shall inform the director or member of the basis for such belief and afford the director or member an opportunity to explain the alleged failure to disclose.

4.2 If, after hearing the response of the director or member and making such further investigation as may be warranted in the circumstances, the Board or committee determines that the director or member has in fact failed to disclose an actual or possible conflict of interest, the Board shall take appropriate corrective action.

D. **Records of Proceedings.** The minutes of the Board and all committees with Board delegated powers shall contain:

1. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflicting interest transaction, the nature of the financial interest, any action taken as a result, and the Board's or committee's decision.

2. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection therewith.

E. **Periodic Review.** The Board shall review this policy statement on a periodic basis with counsel for the Association in order to assure that the policy statement complies with applicable state law.