

**THE KNOLLS VILLAGE TOWNHOUSE ASSOCIATION  
DIRECTOR CONFLICT OF INTEREST POLICY**

Adopted June 5, 2007

The following procedures have been adopted by The Knolls Village Townhouse Association ("Association") pursuant to C.R.S. 38-33.3-209.5, at a regular meeting of the Board of Directors.

Purpose: To adopt a policy governing the handling of conflicts of interest among Board members;

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following policy to govern the handling of conflicts of interest among Board members:

1. In any contract, transaction, or other financial relationship between the Association and a Board member of the Association, or between the Association and a party related to a Board member, or between the Association and an entity in which a Board member of the Association is a director or officer or has a financial interest, then, in advance of entering into that contract, transaction or other financial relationship, that interested Board member shall declare at an open meeting of the Board, that a conflict of interest exists and shall describe in detail all of the particular facts of the conflict of interest. For purposes of this policy, a party related to a Board member shall mean a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the Board member or a party related to a Board member has a beneficial interest, or an entity in which a party related to a Board member is a director, officer, or has a financial interest.
2. After the interested Board member makes such a declaration, the interested Board member may participate in a discussion of the matter giving rise to the conflict of interest. However, the interested Board member may not vote on the issue giving rise to the conflict of interest.
3. The interested Board member may be counted as present when determining whether a quorum of the Board exists.
4. No conflicting interest transaction shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a Member or by or in the right of the Association, solely because (a) the conflicting interest transaction involves a Board member or a party related to a Board member or an entity in which the Board member is a director or officer or has a financial interest, or (b) the Board member is present at or participates in the meeting of the Association's Board or of a committee of the Board that authorizes, approves, or ratifies the conflicting interest transaction, or (c) the Board member's vote is counted for such purpose if:
  - (i) The material facts as to the Board member's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes, approves, or ratifies 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

(ii) The material facts as to the Board member's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the Board members entitled to vote thereon, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the Board members entitled to vote thereon; or

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

The Knolls Village Townhouse Association

By: (signed) Loren Rohl

President

This Director Conflict of Interest Policy was adopted by the Board of Directors on the 5 day of June, 2007, effective the 5 day of June, 2007, and is attested to by the Secretary of The Knolls Village Townhouse Association.

(signed) Cheryl Scher

Secretary