

**HIGHLAND PARK NEIGHBORHOOD ASSOCIATION, INC.
CONFLICT OF INTEREST POLICY AND
CODE OF CONDUCT AND ETHICS FOR
BOARD OF DIRECTORS MEMBERS**

Effective Date: February 26, 2010

In compliance with the Colorado Common Interest Ownership Act and the Declaration of Protective Covenants for Highland Park, the Board of Directors desires to adopt a uniform and systematic policy regarding Conflicts of Interest and to provide a Board of Directors Code of Conduct and Ethics.

The Association hereby adopts the following policy and procedures relating to Conflicts of Interest and the Board of Directors Code of Conduct and Ethics.

1. **Purpose:** Directors who serve the Association have a fiduciary responsibility to the Association and its members. This responsibility carries with it a broad and unbending duty of loyalty and fidelity. The Board has the power and the responsibility to make decisions for the entire Highland Park community and the Association. Coupled with this power and responsibility is the duty to administer the affairs of the Association honestly and prudently and to exercise proper business judgment for the sole benefit of the Association. The purpose of this policy and code is to ensure that all Directors maintain a high standard of ethical conduct in the performance of the Association's business and to ensure that the property owners maintain confidence in and respect for the members of the Board, individually and collectively.
2. **Procedure:** Upon taking office as a Director, each Director will be given a copy of this document and will be required to sign a statement to the effect that he/she has been given a copy, has read it, and agrees to abide by it.
3. **Statement of General Duty.** The Board of Directors shall use their 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 the Association. All Directors shall exercise their power and duties in good faith and in the best interests of and with utmost loyalty to the Association. All Directors shall comply with all lawful provisions of the Declaration of Covenants and the Association's Articles, Bylaws, Policies, and Rules and Regulations, as well as the laws of the State of Colorado.
4. **Conflict of Interest Policy.**
 - 4.1. **Definitions.**
 - 4.1.1. "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.

- (a) Whether or not the transaction is brought before the Board of Directors of the Association for action, the Director knows at the time of commitment that the Director or a related person either:
 - (i) is a party to the transaction; or
 - (ii) has a beneficial financial interest in or is so closely linked to the transaction that the interest would reasonably be expected to exert an influence on the Director's judgment if he/she were called on to vote on the transaction.
- (b) The transaction is brought, or is of such character and significance to the Association that it would in the normal course be brought, before the Board of Directors for action and the Director knows that any of the following persons is either a party to the transaction, has a beneficial financial interest in the transaction, or is so closely linked to the transaction and that the interest would reasonably be expected to exert an influence on the Director's judgment if the Director were called on to vote on the transaction:
 - (i) An entity of which the Director is a director, general partner, agent, or employee;
 - (ii) A person that controls one or more of the entities specified in item (i) immediately above or an entity that is controlled by or is under common control with one or more of the entities specified in item (i) immediately above.
 - (iii) An individual who is a general partner, principal, or employee of the Director.

4.1.2. "Director" means a member of the Association's Board of Directors.

4.1.3. "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.

- (a) The spouse of the Director, or a parent or sibling of the spouse; a child, grandchild, sibling, or parent of the Director; or the spouse of a child, grandchild, sibling or parent of the Director; an individual having the same home as the Director; or a trust or estate of which an individual specified in this Section is a substantial beneficiary.
- (b) A trust, estate, incompetent, conservatee or minor of which the Director is a fiduciary.

- 4.1.4. “Required disclosure” means disclosure by the director who has a conflicting interest of both:
- (a) the existence and nature of the conflicting interest; and
 - (b) all facts known to the director about the subject matter of the transaction that an ordinarily prudent person would reasonably believe to be material to a judgment about whether or not to proceed with the transaction.

4.2. Policies.

- 4.2.1. No individual will use his/her position as a Director for private gain. For example: No Director will solicit or accept, directly or indirectly, any gifts, gratuity, favor, entertainment, loan, or any other things of monetary value from a person who is seeking to obtain contractual or other business or financial relations with the Association.
- 4.2.2. No Director will accept a gift or favor made with the intent of influencing decisions or actions on any official matter.
- 4.2.3. No Director will receive any compensation from the Association for acting as such, except for reimbursement of expenses incurred in Association business and which have been pre-approved by the Board.
- 4.2.4. No Director, or employee of a Director, may use his/her position to enhance his/her own financial status through recommendation of vendors, suppliers, or contractors who may then pay a gratuity to a Director, or an employee of a Director.
- 4.2.5. A Director who is also engaged in the practice of another profession will not perform such professional services for the Association while serving as a Director if the performance of such services is likely to result in a perceived or real conflict of interest.
- 4.2.6. No Director may use his/her position in order to achieve any measure of personal gain for himself/herself or any affiliated company from which he/she may benefit. All decisions and representations must be made with the best interests of the Association in mind.
- 4.2.7. No loans shall be made by the Association to its Directors. Any Director 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.

4.3. Disclosure of Conflict. Required disclosure of any conflict of interest on the part of any Director or related person shall be verbally disclosed to the other Directors at the next open meeting of the Board of Directors at which the interested Director is present. The required disclosure shall take place prior to any discussion or vote on the conflicting interest transaction. After disclosure, the Director may participate in the discussion, but may not vote

on the matter. The minutes of the meeting shall reflect the disclosure made, the composition of the quorum, and a record of who voted for and against the action.

4.4. Conflicting Interest Transactions. A conflicting interest transaction may be challenged by an Owner or by any other person acting on behalf of the Association, unless:

- 4.4.1. All pertinent 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;
- 4.4.2. The facts about the conflicting interest transaction are disclosed to the Owners who may be entitled to vote on the matter, and the conflicting interest transaction is authorized in good faith by a vote of the requisite number of Owners entitled to vote on the matter; or
- 4.4.3. The conflicting interest transaction is fair to the Association.

5. Code of Conduct and Ethics.

5.1. Gifts or Benefits.

- 5.1.1. It is recognized that many clients, vendors, and suppliers consider reasonable gifts and entertainment as an accepted business practice without any intent to unduly influence the judgment of the Board of Directors. Nevertheless, it will be the policy of the Board of Directors to discourage the acceptance by any Director of gifts, entertainment, or other favors from existing or prospective clients, vendors, or suppliers.
- 5.1.2. Cash gifts of any amount are unacceptable. Gifts of a nominal value and personal nature given as a token of friendship or special occasions, such as Christmas, a job promotion, or length-of-service award, are acceptable.

5.2. Adequate Performance. A Director will undertake only those responsibilities and assignments that he/she can reasonably expect to perform adequately.

5.3. Adequate Preparation. A Director will adequately plan and prepare to carry out the functions of the Association, including prior review of all materials distributed in preparation for Board meetings, and other functions of the Board of Directors.

5.4. Proper Communication.

- 5.4.1. No Director will defame in any way any other Director, Association member, Association resident, or Association staff member or contractor while acting in his/her capacity as a Director.
- 5.4.2. No Director will willingly misrepresent facts to Association members for the sole purpose of advancing a personal cause or to place pressure on the Board to advance a Director's personal cause.

- 5.4.3. No Director will use his/her position to make threats of actions against Association members or residents with respect to Association Rules, Regulations, and Policies. All such matters are to be handled in the normal manner through the Association or appropriate Committee.
- 5.5. **Contract Implementation.** No Director will seek to have a contract implemented that has not been duly approved by the Board.
- 5.6. **Dealings with Association's Contractors.** No Director will individually impede or obstruct a contractor implementing a contract in progress. All communications with contractors will go through the Board's established point of contact. Professional courtesy will include respect for, and should not interfere with, (among other things) contractual relationships between the Association and contractors.
- 5.7. **Dealings with Association's Members.** No Director will interfere with the duties of any member of the Association. All Board members will exhibit professional courtesy to all Association members. All Directors will comply with all operating standards (internal operating procedures) that are in force or may from time to time be promulgated by the Board of Directors. No Director will harass, threaten, or attempt through any means to control or instill fear in a member of the association.
- 5.8. **Representations to Association Members and Residents.** In addition to a Director being prohibited from using his/her position to make threats to Association members or residents, a Director is also prohibited from making unauthorized promises to those parties.
- 5.9. **Use of Association Funds.** No Director may use any funds being held for Association business for personal use.
- 5.10. **Meeting Attendance.** It is expected that all members of the Board of Directors will make every effort to attend all Regular, Special, and Executive Board meetings.
- 5.11. **Disclosure of Business Information.** A Director should not, in the regular course of business, speak on behalf of the Association or disclose information about the Association's legitimate activities unless they are already known by the members or are part of the Association's records or unless he/she has been authorized to make such disclosures by the Board. In the normal course of business, a Director should treat as confidential all matters involving the Association until there has been general public disclosure or unless the information is a matter of public record, according to Colorado statutes, or common knowledge. All information learned or discussed at an Executive Session of the Board is privileged and confidential and is not to be publicly discussed until such information becomes part of the Association's public records.

IN WITNESS WHEREOF, the undersigned certify that the Conflicts of Interest Policy and the Board of Directors Code of Conduct and Ethics was adopted by resolution of the Board of Directors of the Association this 26th day of February, 2010.

HIGHLAND PARK NEIGHBORHOOD ASSOCIATION, INC.

Douglas H. Barber-President

Marge Shuger-Secretary