

**SETTLERS VILLAGE HOMEOWNERS ASSOCIATION
POLICY FOR HANDLING CONFLICTS OF INTEREST
OF BOARD MEMBERS
Effective: January 1, 2006**

1. Introduction.

The Board of Directors (the "Board") of Settlers Village Homeowners Association, a Colorado non-profit corporation (the "Association"), acting pursuant to the powers set forth in the Association's Bylaws, Articles of Incorporation, the Declaration of Covenants, Conditions and Restrictions for Settlers Village Subdivision (a Common Interest Community) (the "Declaration") (such documents being collectively being referred to as the "Association Documents"), and the Colorado Common Interest Ownership Act ("CCIOA"), has enacted the following Policy effective as of the date set forth above. Unless the context otherwise indicates, capitalized words and terms shall have the meanings set forth in the Association Documents and, if not defined in the Association Documents, then as set forth in CCIOA. This Policy supersedes any previously adopted Policy on the same subject matter.

2. Policy Purposes.

The purposes of this Policy are:

2.1 To set forth procedures and rules to identify and handle conflict of interest situations involving Board members

2.2 To provide a framework for appropriate education of existing and new Board members as to (a) their responsibilities in terms of timely disclosing conflict of interest situations and (b) the limits CCIOA places upon the participation of a Board member with a conflict of interest; and

2.3 To provide a mechanism for the Board to take up and reconsider any decision or action which may inadvertently be rendered without appropriate disclosure and handling of a Board member conflict of interest.

3. Identification and Disclosure of Conflict of Interest Situations.

3.1. Definition of Conflict of Interest. Unless the Declaration provides a more expansive definition, in which case the Declaration controls, a "conflict of interest" exists pursuant to CCIOA where a contract, decision or other action being considered by the Board would financially benefit:

a. Any Board member; or,

b. Any person who is a Board member's parent, grandparent, spouse, child, sibling; or, who is the parent or spouse of one of these persons.

3.2 Declaration and Disclosure of Conflict of Interest. A Board member who has a conflict of interest regarding any contract, decision or other action shall declare and

disclose the conflict of interest in an open meeting before the Board conducts any substantive discussion of the issue. In making such declaration and disclosure, the affected Board member shall:

a. Identify, by agenda item or otherwise with such particularity as necessary to identify the issue in question, the specific pending contract, decision or other action as to which the conflict of interest arises; and

b. Describe the person or person(s) among those described above in the definition of "conflict of interest" who would financially benefit from the contract, decision or other action; and

c. Disclose the nature and magnitude of the financial benefit that would arise out of or as a function of the Board's decision on the contract, decision or other action.

4. Limits on Participation by Board Member Who has Disclosed a Conflict of Interest.

4.1 Discussion. Unless the Association Documents provide for stricter limits on participation, in which case such stricter limits control, a Board member who has a conflict of interest may, after identifying and disclosing the conflict, participate in the Board's discussion of the pending contract, decision or other action. However, upon either (a) the voluntary decision of the Board member who has declared a conflict; or (b) the vote of a majority of the then present Board members who do not have a conflict, the Board member with a conflict may be excused from the discussion of the pending contract, decision or other action, in which case such Board member shall not be present or participate in the Board's evaluation of the issue.

4.2 Voting. A Board member who has a conflict of interest shall not vote on any matter related to consideration of the contract, decision or other action implicated by the conflict of interest.

5. Reconsideration of Decisions Impacted by Improperly Handled Conflict of Interest.

5.1 Effect of Non-Compliance. Any contract, decision or other action of the Board which is adopted subject to a conflict of interest in violation of the identification, disclosure, and participation limitations set forth above shall be void and unenforceable.

5.2 Reconsideration/Ratification. Where the Board identifies a previous contract, decision or other action which was adopted in violation of the identification, disclosure and participation limits above, the Board shall, at an open meeting, take the matter up for reconsideration. At such meeting:

a. The Board member with a conflict of interest shall fully identify and disclose the conflict as provided above; and

b. The Board shall discuss the reason(s) why the identification, disclosure or participation limitations above were overlooked or otherwise improperly handled during previous adoption of the decision; and

c. The Board shall discuss whether, after having considered the foregoing considerations, the contract, decision or other action should be ratified by a new vote in compliance with this Policy; and

d. The Board shall conduct a new vote on the question of ratification, with the Board member(s) affected by the conflict of interest abstaining from participation in such vote, as required by this Policy.

6. Board Member Education.

6.1 Existing Board Members. Upon adoption of this Policy, the Association Secretary shall provide all existing Board members with a copy of this Policy.

6.2 New Board Members. Following adoption of this Policy, the Association Secretary shall promptly provide all new members of the Board elected or otherwise seated on the Board with a copy of this Policy.

6.3 Annual Refresher. At least annually, the Board shall discuss this Policy and its requirements.

7. Variances.

The Board may from time to time vary from the requirements set forth in this Policy if the Board determines in its sole discretion that such variance is reasonable under the circumstances.

8. Amendment.

This Policy may be amended from time to time by the Board.

CERTIFICATION

The undersigned, being the duly elected and acting Secretary of the Settlers Village Homeowners Association (the "Association") certifies that the foregoing Policy for Handling Conflicts of Interest was approved by the vote of at least a majority of the Association's Directors at a meeting of the Association's Board of Directors held on January 4, 2006.

Dated this January 4, 2006.

SETTLERS VILLAGE
HOMEOWNERS ASSOCIATION

By: Julie A. Cozad
Julie Cozad, Secretary