

# **Shadow Creek Homeowners Association**

## **MEETINGS OF THE BOARD OF DIRECTORS**

### **HANDLING OF CONFLICTS OF INTEREST**

1. Definitions.
  - a. Conflicting Interest Transaction means a contract, transaction, or other financial relationship between Shadow Creek Homeowners 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 is a director or officer or has a financial interest.
  - b. Director means a member of the Association's Board of Directors as more fully defined in the Bylaws of the Association.
  - c. Party Related to a Director means a spouse, a descendent, an ancestor, a sibling, the spouse or descendent 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, officer, or has a financial interest.
2. At the beginning of each meeting of the Board of Directors, any Director who may have a conflict of interest in regard to any item on the agenda shall state that conflict of interest in open meeting.
3. 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 of the Association or by the Association, solely because the Conflicting Interest Transaction involves a Director or a Party Related to a Director or an entity in which a Director of the Association is a director or officer or has a financial interest or solely because the Director is present at or participates in the meeting of the Association's Board of Directors or of the committee of the Board of Directors that authorizes, approves, or ratifies the Conflicting Interest Transaction or solely because the Director's vote is counted for such purpose if:
  - a. The material facts as to the Director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors 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

- b. The material facts as to the Director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Members of the Association entitled to vote thereon, and the Conflicting Interest Transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote thereon; or
  - c. The Conflicting Interest Transaction is fair as to the Association.
4. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes, approves, or ratifies the Conflicting Interest Transaction.
  5. Any Director with a conflict of interest, after stating the conflict of interest, may participate in the discussion but shall not vote on that issue.
  6. 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 such loan until the repayment thereof.