

THE COMMUNITY BUILDER

Board Meetings- Code of Ethics

I was working with one of our managers recently on a project and while we were compiling the information needed, she was recounting to me her experience at a recent board meeting. Her recitation of the events at this meeting were something to hear and made me glad that I wasn't present that evening. Screaming, yelling, talking over each other, name calling... all ugly, embarrassing and very unprofessional. This is the very behavior that empties the board room of residents never to return. It is this kind of behavior that earns the Board a "reputation" and makes it difficult to entice other owners to volunteer for the job. A recent spate of articles and blogs that I have read all had a common thread about similar incidents and behaviors, sparking the question about a code of ethics for association board members.

It is reasonable to expect that any group of people that are running a corporation will have differing points of view. Those different points of view and different life experiences provide the basis for a great board of directors, leaders of the community. Unfortunately, sometimes, directors do not see eye to eye. While differences can be valuable to boards, and most board debates or conflicts can and often are resolved, this is not always the case. Occasionally, a board may run into a situation with a dissenting director who chooses to let his/her displeasure with a board be known to the board or the community in a not so polite manner, or who refuses to recognize his/her obligation to not undermine the actions and decisions of the board, when voted on and adopted by a majority of the Board. To address and resolve issues that a dissenting director might cause, many communities are adopting a Code of Ethics.

A Code of Ethics can be adopted by amendment to the association's bylaws or by a resolution of the board. If adopted by resolution, it is recommended that each director and officer voluntarily should sign the Code of Ethics and be bound by it.

A Code of Ethics requires that directors comply with certain minimum standards of conduct. A code of ethics commonly requires directors to treat each other with courtesy and professionalism, to respect and support the decisions of a majority of the board, and to keep confidential any privileged information obtained as a



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director. Most importantly, if a director bound by the Code of Ethics breaches it, the Code can provide for remedies or sanctions against that director. Most documents (bylaws) do not generally provide for this kind of action. Establishing a Code of Ethics creates an internal code of conduct for directors and helps guide the community to meet certain standards of behavior and professionalism, just as Sentry Management adheres to a very strict code of ethics in its operation in order to retain its AMO (Accredited Management Organization) designation from IREM (Institute of Real Estate Management) in partnership with the Urban Land Institute and National Association of Realtors.

Community Associations Institute (CAI), has a model for a Code of Ethics. This model is not meant to address every potential ethical dilemma encountered by a community association board, but is offered as a basic framework that can be modified to fit the needs of most communities. Here is what is presented by CAI:

CODE OF ETHICS FOR COMMUNITY ASSOCIATION BOARD MEMBERS

Board members should:

- Strive at all times to serve the best interests of the association as a whole, regardless of their personal interests
- Use sound judgment to make the best possible business decisions for the association, taking into consideration all available information, circumstances and resources
- Act within the boundaries of their authority as defined by law and the governing documents of the association
- Provide opportunities for residents to comment on decisions facing the association
- Perform their duties without bias for or against any individual or group of owners or non-owner residents
- Disclose personal or professional relationships with any company or individual who has or is seeking to have a business relationship with the association
- Conduct open, fair and well-publicized elections



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- Always speak with one voice, supporting all duly-adopted board decisions even if the board members were in the minority regarding actions that may not have obtained unanimous consent

Board members should not:

- Reveal confidential information provided by contractors or share information with those bidding for association contracts unless specifically authorized by the board
- Make unauthorized promises to a contractor or bidder
- Advocate or support any action or activity that violates a law or regulatory requirement.
- Use their positions or decision-making authority for personal gain or to seek advantage over another owner or non-owner resident
- Spend unauthorized association funds for their owner personal use or benefit
- Accept any gifts - directly or indirectly - from owners, residents, contractors or suppliers
- Misrepresent known facts in any issue involving association business
- Divulge personal information about any association owner, resident or employee that was obtained in the performance of board duties
- Make personal attacks on colleagues, staff or residents
- Harass, threaten or attempt through any means to control or instill fear in any board member, owner, resident, employee or contractor
- Reveal to any owner, resident or other third party the discussions, decisions and comments made at any meeting of the board properly closed or held in executive session.

The duties owed by officers and directors to an association are actually very simple, but they should not be taken lightly. In a community of 200 homes worth about \$250,000 each, the board is responsible for managing and protecting the value of about a \$50 million asset, a significant responsibility. Knowing what your duties are and using a code of ethics as a guideline, can help directors and prospective directors feel comfortable with their role as a corporate director.



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