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SELF-MANAGEMENT vs. PROFESSIONAL MANAGEMENT:

WHAT IS BEST FOR YOUR ASSOCIATION?

March 29, 2008

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I. Amendment to Illinois Condominium Property Act

II. Professional Management

A. Why it is Worth the Cost

1. Records and documents
2. Available for meetings and to meet contractors
3. Knowledge
 - a. Condo law
 - b. Issues that require professional counsel
 - c. Meeting procedures
 - d. Industry standards
4. Interacts with unit owners – avoids personal
5. Bonded and insured
6. Accounting: professionally generated
7. Resources: vendors, professionals and contractors

B. Management Contract Considerations

1. Insurance/bond
2. Turnover at termination of contract
3. Renewal: not automatic
4. Term
5. Termination provisions
6. Termination (with or without cause)
7. Fees: meetings, project supervision, loans, clerical work
8. Supervisor's role

III. Self-Managed Associations:

BOARD OF A SELF-MANAGED ASSOCIATION IS NOT HELD TO LESSER STANDARD THAN A PROFESSIONALLY MANAGED ASSOCIATION

A. Do You Know the Law?

1. Notice of meetings
2. Insurance and bonds
3. Collection procedures

4. Special assessments
5. Deposit of funds
6. Rule adoption and enforcement
7. Handling and investment of funds
8. Documents: maintenance, storage and inspection
9. Classes of ownership
10. Adopting and amending the budget

C. Minimizing the Risk

1. Education: seminars, articles, professional organizations
2. Consultants
3. Maintain relationship with auditor, engineer and attorney
4. Don't hesitate to obtain professional advice
5. Spotting issues: when do you need professional advice?
6. Obtain professional accounting services

D. Practical Considerations: Who will take care of the following tasks?

1. Meet with contractors
2. Go to the bank
3. Talk to an angry neighbor
4. Supervise construction
5. Obtain bids
6. Send out notices and prepare minutes
7. Send collection letters
8. Meet the city inspector
9. Go to court or a hearing

IV. Fiduciary Duty: Your Assets May Be at Risk!

A. Business Judgment Rule

1. Presumption that directors make business decisions, on an informed basis, in good faith and with honest belief that they are acting in the best interest of the corporation.
2. Not responsible for errors of judgment if due care was exercised.

B. Exercising Due Care

1. Act consistently (e.g. enforcing rules)
2. Don't act against the advice of counsel (i.e. if you don't like the opinion get a second opinion)
3. Seek professional advice on large projects
4. Never contract with unit owner or friends of unit owners or directors
5. Obtain three bids
6. Act in a timely manner