

**LACAMAS SHORES HOMEOWNERS ASSOCIATION
AD HOC COMMITTEE ON TRUST AND TRANSPARENCY**

REPORT AND RECOMMENDATIONS

INTRODUCTION

The Ad Hoc Committee on Trust and Transparency was formed by the Lacamas Shores Homeowners Association (“HOA” or “Association”) to study, consider and recommend actions that might be taken to further trust and transparency within the Lacamas Shores community. The Ad Hoc Committee is not an action committee, but rather is a study committee that has been asked to review various issues relating to the governance and operation of the Lacamas Shores HOA and to report its recommendations to the Association.

Although the establishment of the Ad Hoc Committee followed the occurrence of disagreements between members of the HOA Board and various homeowners relating to certain issues of concern within the community, the Ad Hoc Committee was not charged with the task of attempting to resolve any existing dispute or disagreement. Rather, the Committee has focused its efforts on determining what should be considered to constitute “best practices” for the governance and administration of a mutual benefit nonprofit homeowners association of a size and with characteristics comparable to the Lacamas Shores Homeowners Association. In this connection, while the Ad Hoc Committee believes that it should be feasible for the Lacamas Shores HOA to adopt many of the various best practices suggested in this Report, the Ad Hoc Committee is also aware that some of the best practices recommended in this Report may in the end be judged to be impractical to implement within the Lacamas Shores HOA, whether because of limited resources or other considerations. Nevertheless, in instances where a particular best practice might not be well suited to the needs or preferences of the Lacamas Shores community, the Ad Hoc Committee would encourage the Association to consider whether particular elements or features of the recommended best practice could be adapted to fit the structure, size and character of the Lacamas Shores HOA.

The following Report and accompanying recommendations that the Ad Hoc Committee is presenting should not be construed to be a commentary on or criticism of any existing protocols, procedures, processes or policies of the Lacamas Shores HOA, whether appearing in the HOA governing documents or implemented pursuant to Board policies or interpretations. In a number of cases, for example, it is fair to say that the Association’s existing governing documents and policies are not inconsistent with what the Ad Hoc Committee views to be best practices, although certain governing documents and some policies could be supplemented through clarification or enhancement. Nor should this Report be understood as a critique of any

comments offered or actions taken by any individual, whether a Board member or a homeowner, in connection with any issues that may have caused divisions within our community. The Ad Hoc Committee is not taking sides in regard to any existing disputes. Rather, the Ad Hoc Committee is offering its views on protocols and policies that constitute, in the Committee's view, best practices for similarly constituted homeowners associations. To the extent that such protocols and policies can be put in place going forward, the end result will hopefully be both an enhancement of the processes and procedures used in the operation and administration of the Association as well as the avoidance of future conflicts and disagreements within the HOA and the ability to resolve any disputes that do occur in a prompt, fair and efficient manner. In other words, this Report is intended to be forward looking and to generate discussion within the HOA regarding how best to organize and harness the mutual efforts of all homeowners in the best interests of the community.

In terms of process, the Ad Hoc Committee initially met on several occasions to discuss and produce a list of issues and concerns that were believed to be most relevant to the completion of the Committee's assignment. This list of issues and concerns was distributed by e-mail and other methods to Lacamas Shores homeowners for comment and input, and was subsequently discussed by the Committee in detail at follow on meetings of the Committee members. A number of homeowners provided the Committee with their comments on the Committee's outline of matters to be considered, either in written form or at an in person meeting with the Committee. This Report is the result of the Committee's discussions and homeowner feedback, and includes relatively extensive commentary and analysis that underpin and explain the recommendations and conclusions set forth in this Report. The Association will now have the opportunity to review the Ad Hoc Committee's recommendations and determine whether they merit either further study or specific action by the Association. In this connection, the best practices discussed in this Report address both Board and HOA Committee activities as well as homeowner participation and involvement in Association affairs. To the extent that any best practices suggested by the Ad Hoc Committee are not already reflected in existing HOA documents and practices, it is suggested that follow up action by the Association could include both informal adoption of the best practices discussed in this Report as well as possible formal clarifications, amendments or additions to be made to the Association's governing documents and related Association policies and practices.¹

The Association should determine how the views of all interested Lacamas Shores homeowners regarding the Committee's recommendations can best be obtained and considered.

¹ **The Ad Hoc Committee notes that the adoption and implementation of some of its recommendations might require modification of one or more of the governing documents of the Association, including the Lacamas Shores CC&Rs and the Articles of Incorporation and Bylaws of the Lacamas Shores Homeowners Association. Any such revisions would need to be prepared with the assistance of the Association's legal counsel. In certain instances, modifications to the HOA governing documents could only be accomplished pursuant to a vote of the Lacamas Shores homeowners.**

In this regard, the Committee stands ready to assist in connection with the consideration of its recommendations by the HOA as well as with any implementation actions that might be undertaken.

As a final point of emphasis, and without passing judgment on the positions being taken by any party in connection with any current disagreements within the Lacamas Shores community, the Committee is hopeful that the commentary and recommendations contained in this Report that focus on furthering trust and transparency within the Association – whether concerning the role of the HOA Board of Directors, the responsibilities of HOA Committees, or the participation of Lacamas Shores homeowners in HOA affairs -- may provide guidance that will assist in the resolution of any currently outstanding grievances. In the view of the Ad Hoc Committee, it is critically important for the Association to make every effort to resolve as soon as possible all outstanding grievances that might threaten to divide the community.

RESPECTFULLY SUBMITTED
AD HOC COMMITTEE ON TRUST AND TRANSPARENCY*

David Lofstead, Co-Chair
Crawford Tuttle, Co-Chair
Carl (Kim) Seneker
Marie Tabata-Callerame
Steve Marrinan

*The Ad Hoc Committee wishes to acknowledge the participation of Linda Harnish on the Committee. Linda was appointed to the original Committee and relinquished her position on the Committee when she stepped down as a member of the Board of Directors of the Lacamas Shores HOA following the conclusion of the Association’s Annual Meeting on March 11. Steve Marrinan replaced Linda on the Ad Hoc Committee. The Committee sincerely thanks Linda for her constructive input and contribution to this Report.

AD HOC COMMITTEE RECOMMENDATIONS, COMMENTARY AND ANALYSIS

Given the level of detail contained in this Report, the Ad Hoc Committee has set forth its specific recommendations below in bold red typeface in order to facilitate the review of this Report by interested homeowners, as well as enable a more focused understanding and assessment of this Report. In this regard, the Ad Hoc Committee's recommendations can only be properly considered and fully understood by referring to the analysis and discussion accompanying each set of recommendations contained in this Report. Reviewing the Committee's commentary in detail should help to provide a more complete understanding of both the circumstances and reasoning underlying the Committee's specific recommendations.

SECTION 1

Homeowner and Board Communications; Building Relationships

Ongoing communication between the leadership of the Association and the Association membership, as well as among Lacamas Shores homeowners, should be encouraged and facilitated. To a large degree, vehicles for such communications have already been put in place by the Association, but could be strengthened and expanded. In the view of the Ad Hoc Committee, this endeavor can best be carried out by a standing committee or other working group that will have the time available to devote ongoing attention to these communication efforts.

a. Member Communications

(i) Formation of Member Communications Committee. **The Ad Hoc Committee recommends that a Member Communications Committee ("MCC") should be established to oversee the publication and circulation of the several vehicles and platforms currently being used to communicate with Lacamas Shores homeowners, including the Views Newsletter, BackFence, Neighborhood Watch, and the Association Website.**

(A) Mission Statement and Guidelines. The MCC should adopt and publish a mission statement for each publication or communications platform to be made available to homeowners, setting forth the principal objectives of each such publication or platform and including guidelines for topics and appropriate content. In addition, the MCC should consider whether additional communications tools, including the potential use of social media platforms, might be introduced from time to time to further the objective of informing homeowners about matters of interest to the Lacamas Shores community.

(B) Composition of MCC. The MCC should consist of not less than 5 members, and broad representation of viewpoints within the Association should be present on the MCC. The MCC should also assume responsibility for updating the Neighborhood Directory as needed. In addition, the MCC should make ongoing attempts to encourage each Lacamas Shores homeowner to provide an e-mail address and/or text messaging contact information to which Association notices and other communications could be delivered, either in lieu of or in addition to mailed notices and communications. In this connection, however, the MCC should disclose to each homeowner who is providing his or her e-mail address or text messaging contact information to the Association, the types of information and other communications that will be delivered to the homeowner by the Association, and the MCC should also adopt and enforce procedures that will ensure that any homeowner e-mail addresses or text messaging contact information that are provided to the Association will be used only for official Association business in a secure manner and will not be provided to outside parties or made available for general use by other homeowners to the extent legally permitted.

(ii) Updates For Homeowners. **The Ad Hoc Committee recommends that the Association should consider adopting a procedure to provide Lacamas Shores homeowners with periodic updates relating to matters of community-wide interest or application, including in particular matters that are pending before the Board and substantive Committees, as well as decisions of the Board and such Committees that may apply to the Association as a whole. This capability can be further enhanced if a large majority of homeowners are willing to provide their e-mail addresses and/or text messaging contact information to the Association to receive such periodic communications.**

(iii) Mechanism for Homeowner Inquiries. **From time to time, individual homeowners can be expected to have questions or concerns regarding the application of the CC&Rs or other HOA rules in particular instances. The Ad Hoc Committee recommends that the Association should consider putting in place a mechanism (whether by scheduling agenda items for Board or Committee meetings or by using a separate communications vehicle) to permit individual homeowners to raise with the HOA Board or responsible HOA Committee, in a succinct and constructive manner, concerns or questions regarding matters within the jurisdiction of the Board or Committee.**

(A) Scope of Inquiries. Such a mechanism might permit consideration of homeowner concerns relating to such matters as: (1) the application of the CC&Rs or other HOA rules to one or more properties within the community, (2) permitted or restricted activities within the community, such as rules relating to the use of the Common Area, and (3) potential conflicts with neighbors relating to the use or condition of a particular property or any portions of the Common Area. Providing a mechanism for obtaining guidance regarding such matters should help to minimize the chances that a homeowner may inadvertently fail to comply with HOA requirements or that two or more homeowners might take inconsistent positions with respect to

issues within the jurisdiction of the Association.

(B) Guidelines. In order to facilitate appropriate consideration of any such matters raised by homeowners, it would be desirable to provide guidelines that describe in reasonably specific terms the type of information that should be provided by homeowners when communicating any questions or concerns to the Board or a Committee. A response, even if only an acknowledgement of the inquiry or an interim response, to any homeowner concerns or questions addressed to the Board or a Committee that fall within the guidelines should be provided to the inquiring homeowner without undue delay. Such response should, wherever feasible, describe to the homeowner in reasonable detail the reasoning underlying the Board's or Committee's disposition of the inquiry in order to encourage a high degree of transparency.

(iv) Periodic Member Gatherings. **The Ad Hoc Committee recommends that the Association should consider sponsoring periodic gatherings (perhaps twice each year) which would be open to all HOA Members to provide an opportunity for homeowners to get together on an informal basis with their neighbors and Board and Committee members in order to socialize and discuss matters of interest.**

(A) Flexibility. The Association should be flexible regarding the timing for, structure of, and substantive content planned for any such periodic gatherings. For example, these get-togethers could include such features as (1) an update from the Board and/or any working Committees regarding matters of community-wide interest or application which are then under review or consideration, (2) presentations from individuals or groups outside the Association relating to current events or plans that could affect the Lacamas Shores community (such as City or County officials, civic or community groups or organizations, and parties responsible for neighboring residential, commercial, civic or school projects), (3) roundtable discussions of current Association-related topics, and (4) a variety of other activities designed to foster inclusiveness and camaraderie within the Association.

(B) Social Interaction. Although these types of gatherings might include some structured presentations, the Ad Hoc Committee suggests that the primary purpose should be to provide a loosely structured opportunity for both social interaction and exchange of views among homeowners and Board and Committee members. Needless to say, given the volunteer character of the Lacamas Shores HOA, the timing for and number of such gatherings will be influenced by individual schedules and other demands placed on Board and Committee members.

b. Views Newsletter – The Ad Hoc Committee offers the following suggestions regarding the scope and content of the Views Newsletter. To some extent, these suggested features may already appear in various issues of the Newsletter.

(i) Update Column. **The Ad Hoc Committee recommends that a regular column should be included in the Newsletter devoted to informing and updating homeowners on actions taken by the Board, issues under study or consideration by the Board or HOA Committees, and current events and other matters of potential interest to the broader Lacamas Shores community (e.g., newly proposed real estate development projects on lands adjoining the Lacamas Shores development).**

(ii) Member Communication Column. **The Ad Hoc Committee recommends that a “Letters to the Editor,” “Homeowner Commentary,” or similar column or feature could be included in each Newsletter in which homeowners could raise or discuss matters of current or potential interest to the community or other Association business. This column or feature would be intended to provide a forum for Association-wide circulation of constructive homeowner views relating to such topics. To facilitate this objective, a Special Editor should be appointed for the Newsletter who would be charged with undertaking continuing efforts to obtain commentary and other input from homeowners for publication in the Newsletter.**

(A) Content Concerns. No censorship of content should be permitted, but appropriate requests could be made to the author of a submission for rephrasing of any commentary that could be considered libelous or damaging to the reputation or standing in the community of any one or more individuals within the community. If the requested rephrasing is not agreed to, the matter should be referred to the MCC for resolution.

(B) Conflict Mitigation. It is the view of the Ad Hoc Committee that providing regular opportunities for homeowners to offer and discuss their views or concerns in Association publications or other Association communications platforms should help to limit the circumstances under which one or more homeowners might otherwise feel it necessary to establish outside means, whether websites or other mechanisms, to express their positions on matters relating to the Association.

c. Association Website – The Ad Hoc Committee believes that the existing Association website, while functional and reasonably comprehensive, could be further improved and possibly made more user-friendly. Since the Association does not maintain a physical office, homeowners have increasingly relied on the website to communicate with Board members and Committees, including the Architectural Control/Landscaping Committee, regarding both property-related issues as well as common area access and other general areas of Association business or operations. To the extent that such uses of the website can be made smoother and more intuitive, homeowners may find it easier to obtain information and guidance regarding issues relating to their property, the common area, and general Association operations and responsibilities. Of course, the costs associated with making any significant structural, format or other changes to the website will need to be reviewed, and a financial feasibility determination will need to be made for any proposed improvements or upgrades to the website.

(i) Other Homeowner Associations Websites. **The Ad Hoc Committee recommends that the MCC should review other homeowner association websites established by comparable HOAs (to the extent that proper access can be obtained) to gather possible ideas that might be used to enhance the Lacamas Shores HOA website.**

(ii) Professional Design Services. **The Ad Hoc Committee recommends that at the time of the next regularly scheduled refreshment cycle for the website, the MCC should determine whether it would be feasible to retain a professional website design company familiar with homeowner association operations and communications to review the content, format, organization and other features of the existing Association website and provide guidance regarding whether any improvements or upgrades to the website would be desirable.** The potential costs of retaining professional website design assistance for any upgrades or improvements will, of course, need to be considered.

(iii) Meeting Dates and Information. **The Ad Hoc Committee recommends that the dates of upcoming Board and Committee meetings should be listed on the website, and that the agenda items for such meetings (excluding any confidential matters) should be posted on the website as and when available.** Except in unusual circumstances, it is assumed that homeowner input will be welcomed at the meeting, and the meeting notices should therefore indicate in what manner and within what time frame homeowners will be able to provide comments to the Board or Committee on the meeting agenda items.

(iv) Keeping Content Current. **The Ad Hoc Committee recommends that an ongoing reasonable effort should be made by the MCC to ensure that the content of the website is kept current, that dated material is removed from the website when no longer necessary or appropriate, and that information concerning new projects or proposals is included in a timely manner.**

(v) Homeowner Secured Section. **The Ad Hoc Committee recommends that a website section, password-secured for homeowner access only, should be included on the website that would host a dialogue among homeowners, allowing for the constructive expression of differing views relating to major topics of current interest to the Lacamas Shores community.**

SECTION 2

Accountability

The topic of ensuring accountability within the Association in connection with the performance of Board, Committee, and homeowner responsibilities was among the most discussed topics during the Ad Hoc Committee's deliberations as well as the single issue that

was most frequently raised by homeowners who submitted comments to the Ad Hoc Committee. Needless to say, there is a relatively wide divergence of views regarding the extent to which the Association can or should establish formal mechanisms to implement and enforce standards of accountability. The Ad Hoc Committee has given focused attention to how the principle of accountability can best be fostered and supported within the Lacamas Shores HOA without producing potentially divisive and counter-productive consequences. The following paragraphs of this Section 2 focus on a number of issues and proposals that have been discussed in detail by the Ad Hoc Committee relating to various aspects of accountability.

As an initial observation, the Ad Hoc Committee notes that many, if not most, homeowner associations have not found it necessary to adopt rigorous rules and procedures designed or tailored to address issues of accountability. Rather, the governing documents of even sizable homeowner associations may be largely silent on such matters, and accountability concerns may arise only infrequently in a particular association. On the other hand, this does not mean that problems of accountability do not occur from time to time in most homeowner associations; to the contrary, the emergence of conflicts and disputes in homeowner associations is not an uncommon occurrence and can, if not addressed effectively and in a timely manner, cause disruption in the affairs of the association. Often, however, particularly in well-seasoned associations, there will be established governance traditions, many of them unwritten or informal, that can be drawn on to mitigate the emergence of conflicts and moderate the intensity of disagreements. In contrast, it is more rare to encounter detailed mechanisms and policies in the governing documents of an established homeowner association that are intended specifically to enforce accountability principles or to regulate the conduct of individuals with regard to their participation in the association, whether or not such individuals may be serving in a leadership capacity. In part, this may reflect an unstated assumption or belief that the establishment of relatively stringent or constricting formal rules dealing with accountability concerns or matters of personal behavior could hamstring the Association or discourage flexibility and creativity in problem-solving, as well as dampen the enthusiasm of volunteers to readily take on challenging and potentially controversial assignments for the benefit of the Association. Notwithstanding these considerations, however, recent events that have taken place within the Lacamas Shores HOA suggest that, at this point in the Association's history, a full exploration and evaluation of various possible mechanisms that could potentially be employed to address issues of accountability and personal behavior may be warranted, particularly given the level of interest that this topic has engendered. Therefore, the Ad Hoc Committee has spent a considerable amount of time discussing and evaluating in this Report the pros and cons of various proposals that have been suggested with respect to the issue of accountability and personal conduct. While some may not agree with the Ad Hoc Committee's conclusions and recommendations that are set forth below in this Section 2, hopefully the accompanying commentary and analysis will promote a thoughtful and measured consideration and understanding of these subjects in a homeowners association of the size and character of Lacamas Shores. In this respect, and regardless of one's particular viewpoint, the Ad Hoc Committee is confident that all Lacamas

Shores homeowners remain eager to embrace a full sense of confidence and buoyancy in the Association as well as enjoy a robust and durable sense of camaraderie, unity and solidarity.

a. General Observations Regarding Accountability. In general terms, the concept of accountability refers to the obligation and willingness of an individual to assume responsibility for his or her own acts or conduct when dealing with others. When used in reference to a public official or a representative of a private organization who is charged with performing a specific duty or obligation for the public good or for the benefit of the organization, the principle of accountability typically is understood to mean that such official or representative should expect to be held responsible for any actions carried out or decisions made in furtherance of the performance of the official's or representative's duties or obligations. Further, when used in reference to an individual who has no official position within a public entity or a private organization but who participates in the affairs of the public entity or organization, the term accountability can be understood to mean that such individual should expect to be held responsible for the consequences of his or her participation to the extent within the control of the individual, including the manner in which the individual conducts himself or herself vis-à-vis the public entity or private organization in the course of such participation. Thus, in the context of a homeowners association, the principle of accountability should be understood to apply, at least in its broadest sense, not only to the actions and decisions of the various elected or appointed leaders or representatives of the association, but also to individual members of the association who choose to participate in the affairs of the association or who are otherwise exercising their rights as association members.

(i) Accountability Distinctions. There is a key distinction with regard to how the principle of accountability is usually applied to elected leaders or designated representatives of a private organization versus how that principle is applied to individual members of the organization who are not acting as representatives of the organization. Specifically, an elected leader or designated representative is expected to act in the best interests of the organization when performing his or her responsibilities, while an individual member of the organization may legitimately act in such individual's own personal interest, at least as long as the pursuit of that interest is not in conflict with the legal standards governing the organization, or with generally applicable policies and practices of the organization that are applied evenhandedly. In particular, individuals who serve on the Board of Directors of a private nonprofit organization are generally understood to have a special duty, in the nature of a fiduciary duty, to the members of the organization. Thus, it is fair to expect that the behavior of individuals in leadership positions will be judged in accordance with more demanding standards than those that may be applied to an individual who is seeking to protect or further his or her own legitimate interests. Further, as a general rule, the actions and attitudes of individuals in leadership positions will set the tone for the organization and may well impact the manner in which individual members of the organization respond and proceed when they participate in matters concerning the organization.

(ii) Individual Responsibility. This is not to suggest that an individual member of an organization should not expect to be held accountable for the manner in which such individual goes about pursuing his or her individual interest. Indeed, an individual participant's actions will typically be carried out, and the individual's comments will typically be expressed, in a public setting of some type, and the manner in which these actions are taken or comments are put forward will necessarily have some impact -- whether negative, positive or neutral -- on other individuals who are associated with the same organization. While the forum and context in which an individual's comments are expressed may not permit an immediate reaction to the individual's presentation, the person making the presentation should expect that his or her conduct and mode of presentation when offering input will ultimately affect both the persuasiveness and acceptability of the position being taken.

b. Application of the Principle of Accountability to the Lacamas Shores HOA. There are several different aspects of the principle of accountability when considered in the context of a mutual benefit nonprofit organization such as the Lacamas Shores Homeowners Association:

(i) Association Leadership. Board members and Committee members who have agreed to assume positions of responsibility within the Association, as well as individual homeowners who participate in HOA affairs or who otherwise exercise their rights as HOA members, including their rights under the Lacamas Shores CC&Rs, should expect to be held accountable for their actions as well as for any comments made in a public setting. In this connection, the Code of Ethics and Rules of Conduct that has been adopted by the Lacamas Shores HOA provides that, among other things, Board members and Committee members are expected to (A) act in the community's interest at all times, (B) maintain a high standard of conduct, (C) maintain confidentiality, (D) act in compliance with the Association's governing documents and applicable law, and (E) demonstrate mutual respect for each other and all homeowners, even when in disagreement. While the Lacamas Shores HOA Code of Ethics and Rules of Conduct does not apply directly to homeowners who are not Board or Committee members, the Ad Hoc Committee believes that most individual homeowners will understand that they should adopt comparable principles for their own conduct when participating in Association affairs or exercising their rights as Association Members in a public setting.

(ii) Disputed Decisions. An issue of accountability may arise when one or more Members of the Lacamas Shores Association, whether or not holding a leadership position, believe that a Board member or a Committee member has made a decision or has taken an action that a particular Member or group of Members may consider to be incorrect, inadvisable, in conflict with ethical rules, not in conformance with Association governing documents or adopted policies, unjust or unfair, or simply wrong. In such circumstances, it can first be asked whether a specific remedy exists under the documents or applicable laws governing the Association.

(A) Ethical Violations. If a violation of the Lacamas Shores HOA Code of Ethics and Rules of Conduct by a Board or Committee member is alleged, the Association has in

place a protocol for the investigation and resolution of an ethics complaint that may be lodged against the Board or Committee member.² (Whether these current enforcement procedures should be the subject of further study is discussed below in a later portion of this Section 2. In addition, the question of whether it is an appropriate practice to characterize a failure of a Board or Committee member to act in compliance with governing documents or applicable law as an ethical violation or a breach of the Association's rules of conduct is also discussed below.) The Ad Hoc Committee emphasizes that all complaints relating to alleged ethical violations should be handled in a fully confidential manner. It is critical to ensure that any individual accused of ethical violations will not be subjected to inappropriate publicity or criticism, and that speculation regarding the merits of any ethical review will be kept in check prior to full consideration of the allegations and the issuance of a final decision regarding the complaint.

(B) Removal of Board Member. If the actions of a Board member are being questioned and a satisfactory voluntary resolution of the issue cannot be achieved, a majority of the voting Members of the HOA have the right, under Washington statutory provisions and the HOA Bylaws,³ to recall the Board member prior to the normal expiration of his or her term of office; or alternatively, when the particular Board member is up for re-election to the Board, the voting Members can decide to vote for a different candidate. In addition, if an individual, including a Board member, is serving as an officer of the Association, a majority of the HOA Board has the power under the HOA Bylaws to strip the individual of his or her officer position and appoint a different Board member to such position.⁴

(C) Committee Actions. If the actions of a Committee member are in issue, then presumably the Board that appointed such Committee member to his or her position would, if the evidence warrants, have the discretion to relieve that Committee member from his or her position on the Committee and appoint a replacement.

(D) Common Disputes. Perhaps more often than not, an objection to a Board or Committee decision or action may arise that does not involve a serious ethical violation or reach a level of importance that would justify the recall of a Board member or the removal of an Association officer or Committee member. Rather, the objection may simply involve a

² This protocol can be found on the Association website under "Procedures for Handling an Ethics Complaint." (Click on "Contacts," then "Code of Ethics.")

³ See Article VIII, Section 3, of the Lcamas Shores HOA Bylaws. See also, RCW 24.03.1203.

⁴ See Article IX, Section 4, of the Lcamas Shores HOA Bylaws. The Bylaws also make clear that all Association officers are initially appointed by the Board. See Article IX, Sections 1, 2 and 3 of the Lcamas Shores HOA Bylaws. Further, it is worth noting that under the Bylaws an officer may be, but is not required to be, a Board member; specifically, an individual is qualified to serve as an officer of the Association if he or she is simply a Member of the Association, or a lessee or occupant of a homesite who is entitled to use the properties covered by the Lcamas Shores Declaration in lieu of the homesite owner. See Article IX, Section 1, of the Lcamas Shores HOA Bylaws.

disagreement or dispute regarding the wisdom or prudence of a decision or action taken by the Board or a Committee. In such instances, the Lacamas Shores governing documents do not provide specific guidance for the resolution of such a disagreement or dispute. Given this fact, several homeowners who have provided input to the Ad Hoc Committee have asked the Committee to consider whether a formal mechanism of some type should be created within the Association to address such types of disagreements or disputes, as well as provide a more focused approach to the enforcement of standards of accountability and rules of personal conduct.

c. Homeowner Challenge to Board Actions Alleged to be In Violation of Association Governing Documents or Applicable Law. Several homeowners have suggested to the Ad Hoc Committee that the Association should put in place a process that would permit a homeowner to lodge an objection or file a complaint if the homeowner believes that a particular Board or Committee action is not in compliance with the Association's governing documents or applicable law. In this regard, there is currently no provision in the Lacamas Shores HOA governing documents providing for a direct challenge to the validity of a Board or Committee action or decision.

(i) Compliance with Governing Documents. The Code of Ethics and Rules of Conduct adopted by the Association requires that the actions of Board members and the Board as a whole, as well as Committee members as a whole, shall "comply with governing documents and the law." However, in the view of the Ad Hoc Committee, this is essentially a statement of what would legally be required with respect to the actions of any HOA Board, any HOA Committee, or any HOA Board member. The Ad Hoc Committee questions whether characterizing a failure to comply with the Association's governing documents or applicable law as a violation of the Association's Code of Ethics and Rules of Conduct adds any clarity regarding the duty of the Board and Board members, or the duty of a Committee, or gives the Association any effective or practical means of recourse to deal with such a failure. Indeed, an action that is taken by the Board or by a Board member, or by a Committee, in violation of the Association's governing documents or applicable law arguably raises a more fundamental question regarding the legitimacy and binding nature of the unauthorized action than simply whether such action might also be considered to constitute a breach of the Association's ethical standards or rules of conduct.⁵

⁵ In this connection, the Association's legal counsel would need to advise whether a particular action taken by a Board member, the HOA Board or a HOA Committee that may not be in compliance with the requirements of the Association's governing documents would be considered to be *ultra vires* and ineffective, as well as who would have the right to challenge such action and what the proper procedure would be for bringing such a challenge. For example, while the Ad Hoc Committee is not qualified to comment on matters of legal import, it is possible that some type of judicial action against the Board would be needed to invalidate a particular unauthorized action taken by the Board, or alternatively that a homeowner might be able to assert noncompliance by the Board or a HOA Committee with the governing documents of the Association as a defense against the imposition of any penalty or sanction that the Association might seek to impose against such

(ii) Ethical Violations vs Unauthorized Actions. The Ad Hoc Committee generally does not favor reliance on the Association's Code of Ethics and Rules of Conduct to provide an effective and efficient remedy to address and resolve the potential consequences of an action that may be taken by the Board or a Board member, or by a Committee, that is allegedly not in compliance with the HOA governing documents or applicable law.⁶ Reliance on the Code of Ethics and Rules of Conduct to consider and effectively deal with the consequences of any such noncompliance would at best be an uncertain proposition and would create issues of both interpretation as well as authority.

(A) Characterization of Unauthorized Actions. Characterizing unauthorized decisions or actions made or taken by a Board member, the collective Board, or a HOA Committee, as ethical violations or breaches of rules of conduct under the Association's Code of Ethics and Rules of Conduct strikes the Ad Hoc Committee as a misinterpretation of the typical purposes and objectives of imposing ethical standards and rules of conduct on the leadership of an organization. As discussed more fully below, ethical standards and rules of conduct or behavior are generally intended to ensure that the leaders of an organization will (1) comply with their obligation to act at all times in the best interests of the organization and, if necessary in order to do so, will subordinate their own personal interests to the good of the organization, and (2) conduct themselves in a courteous, respectful and honest manner when performing their responsibilities. In contrast, when a governing body, an action committee, or an individual holding a leadership position in an organization, takes actions or makes decisions that are beyond the power or authority of the governing body, committee or individual, such an occurrence is more properly considered to constitute an act in contravention of the governing documents of the organization and applicable law that, if challenged, will not be legally binding on the organization. The focus, in other words, should properly be centered on the lack of binding effect of the action or decision itself rather than on whether the taking of the action or the making of the decision could somehow be characterized as a violation of ethical standards or rules of behavior.

(B) Inappropriate Use of Ethics Charges. In addition, it can be questioned whether trying to address the consequences of an invalid or unauthorized Board or Committee action or decision by filing a complaint under the Association's Procedures for Handling an Ethics Complaint is a practical and workable solution. First, the Procedures for Handling an

homeowner for a failure to comply with an unauthorized Board or Committee action.

⁶ This type of allegation should be distinguished from the application of the Code of Ethics and Rules of Conduct to other types of violations relating to the conduct of individual Board or Committee members, such as where a Board or Committee member proceeds to participate in decision-making despite having a conflict of interest, or where a Board or Committee member fails to attend Board or Committee meetings without good reason, or to maintain a high standard of conduct, or to act in the best interests of the Community, or to exhibit a high degree of integrity and respect.

Ethics Complaint place the responsibility on the Board of Directors itself for the enforcement of the Code of Ethics and Rules of Conduct. Thus, at least in circumstances where a Board action or the action of a Board member is being challenged as not being in compliance with the Association's governing documents or applicable law, the complainant would essentially be appealing the validity of the challenged action or decision to the same body that originally adopted or sanctioned the action or decision. Second, neither the Code of Ethics and Rules of Conduct nor the Procedures for Handling an Ethics Complaint include any description of the range of penalties or other sanctions that can be enforced against the Board, or a Committee, or a Board member, if it should be determined that the Board, Committee, or Board member has in fact acted in a manner that is not in compliance with the Association's governing documents or applicable law. This is contrary to what the Ad Hoc Committee understands to be the best practices used by other organizations in the enforcement of ethical rules and rules of conduct, which typically include a reasonably complete and timely disclosure of the range of sanctions and penalties that can be imposed for a confirmed violation of ethical standards or rules of conduct in the course of one's performance of official duties. Such a practice helps to ensure that the individuals who are exercising leadership roles in the organization, such as the Board of Directors and Committee members in the Lacamas Shores HOA, will have received fair advance notice of the consequences of violating the adopted rules. Indeed, it can logically be argued that, other than the withdrawal or elimination of a decision or action that is not in compliance with the Association's governing documents or applicable law, the only practical penalty or sanction that could be imposed against the members of a Board of Directors who have acted in violation of the organization's governing documents or applicable law would be to remove the complicit Board members from their positions of responsibility on the Board. However, the express provisions of the Lacamas Shores HOA Bylaws authorize removal of a Board member only upon the "affirmative vote of a majority of the entire Membership." (See Article VIII, Section 3, of the Bylaws.) Neither the Board itself, nor some other group, body or committee in the Association, is authorized by the Bylaws to remove a Board member under any circumstances without a vote of the Association's membership, even for a violation of the Code of Ethics and Rules of Conduct.⁷

(C) Should We Change the Governing Documents. If the Ad Hoc Committee believed that it would be both feasible and helpful (1) to establish a committee, panel or other body within the Association that would have the authority to review Board or Committee actions

⁷ Note that, in contrast, it could be argued that the Board should be able to remove a Committee member from a Committee, or remove an Association officer from his or her office, for a confirmed violation of the Code of Ethics and Rules of Conduct since both Committee members as well as Association officers are initially appointed or chosen by the Board. In other words, the Board should logically also have the authority to effectively de-appoint such individuals. Even so, however, best practices would require that the Code of Ethics and Rules of Conduct should expressly provide that removal from Committee membership or from the position of an Association officer is a sanction or penalty that can be imposed on a Board or Committee member for a confirmed violation of the Code of Ethics and Rules of Conduct.

or decisions, or that would supplant the Board of Directors as the body charged with investigating and disposing of charges that a Board or Committee member has violated the Association's Code of Ethics and Rules of Conduct, or (2) to create a process that would permit a Board member to be removed from the Board without a majority vote of the Association members, then the Committee might be prepared to recommend that the Association's existing governing documents should be appropriately be modified or amended, with the assistance of the Association's legal counsel to ensure that any such modifications or amendments would be consistent with Washington state law. However, for the reasons outlined below in this Section 2, the Ad Hoc Committee believes to the contrary that taking any such step would likely be counter-productive to the best interests of the Association, be difficult to enforce, create divisiveness and acrimony, and potentially severely impair the ability of the Association to attract and rely on homeowner volunteers to serve the Association. These concerns are discussed in detail below.

d. Oversight Committee and Review Panel Proposals. Several Lacamas Shores homeowners have proposed to the Ad Hoc Committee the creation of an elected "Oversight Committee" that would have the right to override certain Board or Committee decisions, as well as the authority to investigate allegations relating to potential Board or Committee misconduct and to impose sanctions on Board or Committee members who are found to have acted in violation of the Association's governing documents or applicable law or to have otherwise violated any ethical standards or rules of behavior set forth in the Code of Ethics and Rules of Conduct. An alternative proposal for the creation of a Review Panel that would have jurisdiction to consider allegations of ethical or behavioral misconduct on the part of Board or Committee members has also been articulated. These proposals stem at least in part from a concern that, at least in some circumstances or under certain conditions, the Board itself may not be willing to reverse its own actions when challenged or to discipline a fellow Board member who has been accused of improper or unethical conduct. In this connection, the proponents of an Oversight Committee structure have suggested that the role of an Oversight Committee can be compared to the functions of licensing, advisory, and disciplinary boards and commissions that supervise various professions in most U.S. states, such as professional engineers, physicians, attorneys, contractors and architects. Such boards and commissions are typically empowered by law to investigate allegations of misconduct or other improper actions by professionals subject to their oversight, and they are given the authority to take disciplinary action if the allegations are found to be supported by credible evidence.

(i) Oversight Committee. After extensive discussion and careful consideration of this Oversight Committee proposal, the Ad Hoc Committee has concluded that creation of an elected Oversight Committee would not be appropriate or desirable for the Lacamas Shores community for the following reasons:

(A) Need for Finality. Within any organization, there needs to be a point of finality for decisions or actions that are made or taken in accordance with proper procedures by

the authorized decision-making body for the organization. In particular, in the case of a mutual benefit nonprofit association, such as the Lacamas Shores Homeowners Association, which necessarily relies on volunteers and has limited resources, the efficiencies and realities of running such an organization will usually require reasonable certainty and finality in the decision-making process. Under the Lacamas Shores governing documents, the elected Board of Directors is given the responsibility for the management of the Association.⁸ Unlike the federal or state governments, private corporations and associations such as the Lacamas Shores HOA do not include a judicial or enforcement “branch” within the organization itself. Indeed, in the Ad Hoc Committee’s experience, it would be highly unusual, and most likely unprecedented, for the articles and bylaws of a mutual benefit nonprofit homeowners association to create an independent judicial-like body within the association that would have the power to reverse or countermand a decision or action made or authorized by the elected Board of Directors on the basis of a complaint made by an association member.

(B) Relationship to Oversight Boards for Professionals. The analogy to the use of licensing, advisory, and disciplinary boards and commissions that supervise various professions is, in the view of the Ad Hoc Committee, misplaced.

(1) First, these professions are subject to detailed and strict licensing laws and regulations that have been enacted by the applicable public legislative body to protect consumers and users of professional services from fraud, abuse, mishandling of funds, delivery of erroneous advice, malpractice, failure to obtain required liability insurance, shoddy performance of work, and like occurrences. Both public licensing authorities and professional associations have a long history of developing and promulgating standards of conduct that govern the activities of licensed individuals, and there are both well-established rules and a considerable number of readily available past precedents to ensure that the regulated professionals are well aware of the requirements with which they are obligated to comply. In contrast, most state legislatures, including the State of Washington as far as the Ad Hoc Committee is aware, have not imposed specific regulatory or disciplinary standards and rules on the leadership of ordinary nonprofit corporations, including homeowners associations. At best, one can find only very limited sources of published nonbinding guidelines for the suggested governance of nonprofit corporations and associations. Instead, reliance is placed on the overriding principle that a member of a Board of Directors of a nonprofit corporation or association (as well as a Board member of a for-profit business corporation), has a special obligation, in the nature of a fiduciary duty, to act at all times in good faith in a manner that the

⁸ Article VI of the Lacamas Shores Articles of Incorporation provides that the “internal affairs of the Corporation shall be regulated and controlled by a Board of Directors in accordance with these Articles and the By-Laws of the Corporation and the laws of the State of Washington.” Article VIII, Section 4, of the Lacamas Shores HOA Bylaws provides that the “property and business of the Association shall be managed by its Board of Directors.” In addition, Washington law provides that the affairs of a nonprofit corporation “shall be managed by a board of directors.” See Section 24.03.095 of the Revised Code of Washington.

Board member believes to be in the best interests of the corporation or association.⁹ For nonprofit corporations and associations, a breach of this special obligation is usually a serious matter, but the determination of whether such a breach has occurred and, if so, what the recourse of the corporation or association should be, is typically left to be decided on a case by case basis – either by the governing body of the organization or association or in a court of law if necessary.

(2) Second, in most instances (excluding pro bono type services) the professionals who are made subject to disciplinary and enforcement proceedings are not volunteers who are contributing their personal time for the benefit of a group or organization, but rather are individuals who are engaged in business transactions and services for remuneration. In contrast, in the context of nonprofit corporations and associations, it is predictable that setting up strict disciplinary rules and procedures for enforcing such rules could well discourage individuals from volunteering their time and abilities.

(C) Other Obstacles.

(1) The Lacamas Shores governing documents clarify that the Board of Directors of the Lacamas Shores HOA is elected by the membership and is responsible for the management of the affairs of the Association. There are currently no provisions in the governing documents of the Lacamas Shores HOA that provide for, or even contemplate, the establishment of specific judicial, administrative or oversight bodies within the Association that would have jurisdiction to investigate and review alleged failures of performance by Board or Committee members in connection with Association governance or activities or, perhaps more significantly, to determine and enforce penalties for acts or omissions that may be inconsistent with the proper performance of responsibilities. As far as the Ad Hoc Committee has been able to discern, this is consistent with the approach commonly used in the governance of nonprofit corporations and associations, with the notable exception of the governing bodies of certain professional associations which are authorized by statute or regulation to exercise disciplinary authority over licensed professionals, such as physicians and attorneys. Given this well-recognized structure, and apart from various practical considerations outlined in detail below, the Ad Hoc Committee would be concerned that interposing an oversight body or committee (even if elected by the Association Members) that could second-guess or override Board management-related decisions, or exercise investigatory, supervisory and disciplinary authority over Board members related

⁹ For example, Section 24.03.127 of the Revised Code of Washington governing nonprofit corporations provides as follows: “A director shall perform the duties of a director, including the duties as a member of any committee of the board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the corporation, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.”

directly to the management actions or decisions of the Board, could possibly be viewed as an improper infringement upon the management authority of the Board of Directors.¹⁰

(2) From a practical perspective, the Ad Hoc Committee questions how one could be confident that the particular individuals elected to serve on an Oversight Committee would be, without question, more capable of properly reviewing issues and making “correct” decisions than the individuals who have been elected by the same membership to serve on the Board of Directors? Indeed, it would not be surprising to encounter a situation where a decision of an Oversight Committee that countermands a Board decision might be just as likely to be controversial or viewed as being “incorrect” or “unfair” by a notable segment of the membership. The ultimate assurance of accountability in any membership organization with an elected Board of Directors is the right to vote in the organization’s periodic elections for Board membership, as well as the right to recall a Board member by a vote of the membership in between scheduled elections. These remedies are available to Lacamas Shores homeowners.

(3) Finally, the Ad Hoc Committee believes that interposing an Oversight Committee, or some other form of independent judicial-like tribunal with jurisdiction to hear and decide allegations that actions have been taken by the Board of Directors, Board members, or a Committee, which are not in compliance with the Association’s governing documents or applicable law, would likely be counter-productive to the ability of the Association to attract strong and committed leaders who are willing to volunteer their time to support what they sincerely believe to be the best interests of the Lacamas Shores community. In this connection, what is needed by the Lacamas Shores HOA, as well as any other volunteer-based organization, are continuing and focused efforts to identify individuals who are willing to commit the time and energy necessary to serve the Association in positions of leadership, whether as Board members or Committee members, and to encourage such individuals to participate in Association affairs to the extent that their time and interest permit. Any governance structures or constraints that could be counter-productive to that objective would not, in the view of the Ad Hoc Committee, be in the best interests of the Association.

(ii) Review Panel. The existing Association Procedures for Handling an Ethics Complaint assign to the Board of Directors the exclusive authority to investigate, review and dispose of complaints. In brief, upon receipt of a complaint alleging a violation of the Code of Ethics and Rules of Conduct, the Board has the sole responsibility to review all facts alleged and determine whether or not a violation has occurred and, if so, what penalty or sanction should be imposed. The proceedings are kept confidential. The wisdom of assigning to the Board of Directors exclusive authority to consider and deal with alleged violations of the Code of Ethics and Rules of Conduct has been questioned by several homeowners who provided input to the Ad Hoc Committee. Specifically, these homeowners have suggested that an independent elected

¹⁰ The Ad Hoc Committee is not qualified to provide legal advice or interpretations, of course, and advice from Washington legal counsel would be needed to address this question.

panel or committee (which will be referred to in this Report as a Review Panel) should be established to investigate and consider allegations of a breach of ethical standards or rules of conduct by Board and Committee members. **While the Ad Hoc Committee acknowledges the argument that, under certain circumstances, a Board of Directors might find it difficult to discipline one of its own members, after full and careful consideration the Ad Hoc Committee supports retaining the responsibility for enforcement of the Code of Ethics and Rules of Conduct as a function of the HOA Board, but at the same time recommends that certain specific aspects of this enforcement responsibility should be evaluated further and appropriately supplemented to conform to best practices, as discussed below.**

(A) Limited Resources. As an initial and important observation, the Ad Hoc Committee notes that every homeowner who agrees to serve on the Board or on a HOA Committee should be presumed to be seeking such a position in order to serve the community in an unselfish manner, and to be committed to act in what such individual believes in good faith to be in the best interests of the Lacamas Shores community. To presume otherwise would both contradict common experience as well as undermine the reasonable expectations of a nonprofit organization that relies exclusively or primarily on volunteers to staff its leadership positions. As a result, in the case of allegations of misconduct by individuals holding leadership positions in an organization, most nonprofit organizations initially give the benefit of the doubt to the volunteer member, and require the presentation of reasonable evidence, usually in a confidential forum, before embarking on a disciplinary path. In the case of relatively large nonprofit organizations with substantial resources, allegations involving breaches of ethical standards or personal behavior norms will typically be investigated on a confidential basis by a designated committee of the Board of Directors, or by the organization's Office of General Counsel or outside legal counsel, or by a compliance office existing within the organization. The Lacamas Shores HOA does not have the infrastructure or the resources (either financial or available personnel) to establish a compliance office or to pay outside legal counsel to conduct such investigations, and the Ad Hoc Committee considers it to be a reasonable decision to assign to the Board of Directors responsibility for the enforcement of the Association's Code of Ethics and Rules of Conduct. In contrast, if the Lacamas Shores HOA were to decide to create an independent elected Review Panel or similar body to take over the duty of ethics enforcement from the Board of Directors, it would likely be a challenge to find homeowners who would have the time and interest, as well as the experience and qualifications, needed to serve effectively on an ethics enforcement panel, particularly since such a panel would preferably need to be set up as a standing body, rather than an ad hoc group, given the importance of ensuring consistency over time in the application of the Association's Code of Ethics and Rules of Conduct.

(B) Review and Clarification of Code of Ethics. **The Ad Hoc Committee recommends that the Association's Code of Ethics and Rules of Conduct should be carefully reviewed to ensure that: (1) the ethical standards and rules of conduct are articulated in clear terms and in a sufficiently detailed manner so as to ensure that Board**

and Committee members will have full and fair notice of the scope, meaning and application of the ethical standards and rules of conduct, and eliminate the chances that a Board or Committee member could unintentionally or inadvertently act in a manner prohibited by the Code of Ethics and Rules of Conduct; (2) a fair procedure is provided for resolving any ethical allegations, as discussed in detail in subparagraph (C) below; (3) the possible range of consequences for a confirmed violation of the ethical standards and rules of conduct are clearly delineated and disclosed;¹¹ and (4) each individual who signs the Code of Ethics and Rules of Conduct when assuming his or her position as a Board or Committee member should be provided in advance with a copy of the Procedures for Handling an Ethics Complaint (or any modified enforcement protocols and procedures) that will be used by the Association in the event that a violation of the Code of Ethics and Rules of Conduct is alleged to have occurred on the part of such individual. The Ad Hoc Committee further recommends that the document signed by each Board or Committee member that obligates such individual to comply with the Code of Ethics and Rules of Conduct should include express language acknowledging and agreeing to abide by the applicable enforcement protocols and procedures.

(C) Best Practices for Ethics Enforcement. The Ad Hoc Committee recommends that, in order to reflect best practices, the current Procedures for Handling an Ethics Complaint should be supplemented by additional guidelines and procedural protections, including:

(1) The establishment of specific criteria and procedures for the filing of a complaint alleging an ethical violation, including what information should be included in the complaint, whether a complaint should be co-signed by more than a single individual (or be accompanied by some corroboration of the allegations in the complaint), and incorporation of a commitment on the part of the individual(s) filing the complaint that the contents of such complaint will be treated as confidential and will not be publicly aired by the complainant(s) prior to the disposition of the complaint by the Association;¹²

¹¹ No specific sanctions or penalties for violations of the Code of Ethics and Rules of Conduct are currently set forth in Association documents. Any collection of sanctions or penalties would need to be carefully weighed and measured against both the seriousness of the particular violation as well as the need to avoid unnecessarily discouraging homeowners from volunteering to serve the community. For example, some sanctions or penalties, such as a prohibition on re-election to the Board or re-appointment to a Committee, or commencement of a process for the recall of a Board member, or removal of an officer or a Committee member, or imposition of a significant monetary penalty or other sanction, might be appropriate only in cases of a confirmed violation that is considered to constitute a particularly serious infraction.

¹² The enforcement procedures might also include a mechanism for confirming that the allegations made in an ethics complaint are supported by some probative evidence and are not based on mere speculation. For example, it is possible in any organization that, however unlikely to occur, an individual filing a complaint might choose to do so primarily because of some personal animosity against the individual whose conduct or action is being questioned rather than because of such individual's misfeasance or other official dereliction. This is a

(2) Clarification that only Board members whose conduct is not being questioned, and who otherwise have no conflict of interest that would call their neutrality into question, may be involved in the consideration and disposition of the complaint;

(3) Provisions guaranteeing a full and fair opportunity for the Board or Committee member who is accused of an ethical violation to respond to the allegations both verbally and in writing, including, if necessary in order to ensure a full understanding and appreciation of the charges, an opportunity to question the individual(s) who filed the complaint in a confidential setting;

(4) Measures to ensure an appropriate level of confidentiality for the proceedings;

(5) As previously mentioned, clear delineation of the range of remedies and sanctions that could be imposed for a confirmed violation, which may differ depending on the nature and perceived seriousness of the violation;

(6) A description of the processes that the Board may pursue in order to enforce any finding of a violation, including whether judicial enforcement is an option and, if so, whether the costs of such enforcement could be borne by the offending Board or Committee member;

(7) A determination by the Board of whether and under what circumstances, if any, a Board or Committee member who has been found to have violated the Code of Ethics and Rules of Conduct should have any right to appeal the adverse decision to a professional mediator or arbitrator having recognized expertise in such matters; and

(8) Adoption of a disclosure policy, in consultation with the Association's legal counsel, which will permit a reasonable level of information to be provided to the Association's membership with respect to the final disposition of the complaint.¹³

difficult area to police since it involves deciphering the true intent of an individual complainant. However, if the end result of any investigation or proceeding based on a complaint is that the allegations were made without some probative evidence of wrongdoing, then the question would arise as to whether there should be any consequences for the individual filing the complaint (for example, a restriction on the complainant from making future allegations against any other Board or Committee member without either joinder by others in the complaint or the submission of some corroborating evidence supporting the allegations made in the subsequent complaint).

¹³ Both the substance and timing of any report or disclosure to the membership regarding the outcome of an ethics complaint proceeding should be consistent with legitimate expectations of confidentiality and privacy, as well as protection of the rights, interests, and reputations of the individuals who are the subject of the allegations made in the complaint. Advice from the Association's legal counsel should be sought prior to the

(D) Distinguishing Among Categories of Ethical Violations. **The Ad Hoc Committee recommends that the Association should consider distinguishing, for enforcement purposes, between the different categories of ethical rules and rules of behavior that are covered by the existing Code of Ethics and Rules of Conduct. The Code of Ethics and Rules of Conduct is quite broadly worded and does not attempt to distinguish between different categories of rules with respect to the nature of a particular violation or the potential severity of the impact that the violation could have on the Association.**

(1) Specifically, the Code of Ethics and Rules of Conduct addresses four distinct categories of action, conduct or behavior on the part of Board and Committee members: (a) acting in the best interests of the Association and foregoing personal interests that might conflict with or otherwise be adversely affected by a decision or action; (b) complying with various rules relating to personal behavior and proper personal conduct; (c) maintaining confidentiality; and (d) acting in compliance with applicable law and the Association's governing documents. These four different categories of rules and policies are collected in a single document and, as such, purported violations of any one of these four categories of rules and policies would be investigated, processed and resolved under the Procedures for Handling an Ethics Complaint adopted by the Association.

(2) As noted, the existing Procedures for Handling an Ethics Complaint do not draw any distinctions among the four different types of violations, even though it can be argued that there are differences among the four categories with respect to both the nature of any breach as well as the severity of the consequences of such a breach. For example, to the extent that a claimed violation of the Code of Ethics and Rules of Conduct involves an action or behavior by a Board or Committee member that directly affects the integrity of decisions that are made for the Association, or an action that threatens to impair the financial condition of the Association, or a violation of confidentiality that could adversely impact an individual homeowner or a third party and potentially expose the Association to liability, such types of violations would normally be considered to be more serious in both nature and effect than a violation that simply involves impolite, discourteous, offensive, or impertinent personal behavior on the part of a Board or Committee member.

(3) As discussed previously, the Ad Hoc Committee believes that it is generally inappropriate to characterize or categorize an action or decision that is not in compliance with the Association's governing documents or applicable law as an ethical violation, at least under the most common understanding of that term. Indeed, in most organizations, an ethical violation is considered to concern primarily conflicts of interest or the placing of one's personal interest -- whether financial, familial, or business-related -- ahead of the interest of the organization. These types of situations go to the very heart of an organization's operations,

disclosure of any information that would be considered sensitive or private in nature or that could reasonably be expected to be treated in a confidential manner.

functions and governance, since they impair the integrity and credibility of the organization's actions. The Ad Hoc Committee believes that it is important to ensure that any ethical violations that compromise the integrity of the organization's decisions, or that involve divulging confidential information, are clearly and unambiguously prohibited, and that there are meaningful consequences imposed for such violations.

(4) In contrast, rules governing the personal conduct or personal behavior of the leaders of an organization represent reasonable expectations for leadership, but violations of such rules would not generally be thought to constitute a substantial threat to the integrity of the organization's decisions. Personal actions or comportment on the part of an organization's leaders that may be inconsistent with basic expectations of good conduct and behavior certainly have the potential to cause disruption within an organization, adversely affect personal relationships, and perhaps impair confidence in leadership. However, using formal enforcement proceedings to attempt to discipline an individual solely for verbal expression that may involve impolite, discourteous, insensitive, disrespectful, belligerent, or otherwise offensive language, but does not lead to physical confrontation, can have unintended consequences.

(a) In certain instances, of course, rude or quarrelsome behavior on the part of an organization's leadership could create a suspicion that one or more of the organization's leaders may have made a decision or supported an action for a vindictive, retaliatory or other improper purpose; however, as a general rule the Ad Hoc Committee believes that this risk can be mitigated at least to some extent by employing best practices that require an organization's leadership to articulate and support their decisions on any controversial matters by reference to compliance or non-compliance with specified standards and criteria. Such best practices are discussed in Section 5 below.

(b) Moreover, it will generally be very difficult to prove that personal feelings on the part of one or more members of an organization's leadership toward particular individuals within the organization may have led to a decision or action that would not otherwise have been made or taken. Indeed, it would be highly unlikely that an individual holding a leadership position would expressly admit that he or she had made a baseless decision or had taken an unjustified action solely or primarily out of personal animosity. In the absence of such an express admission, however, pursuing an enforcement proceeding against that individual, based solely or primarily on his or her use of uncomplimentary, critical or offensive language or comments, or other discourteous behavior, would run a considerable risk of distracting attention from the work of the organization, potentially require costly proceedings to resolve, raise concerns about the potential consequences of tarnishing an individual's reputation, and create a not insubstantial risk that qualified and interested individuals might well be discouraged from volunteering for leadership positions for fear of being criticized or disciplined merely for what they might say or how they might say it.

(c) Finally, it is fair to observe that poor conduct or behavior is not always limited to an organization's leaders; individual members of organizations have on occasion exhibited the same type of inappropriate conduct or behavior. Thus, if poor behavior on the part of an individual in a leadership position is matched by similarly coarse behavior on the part of members of the organization who are not in leadership positions, it might be difficult to determine whether a complaint that is filed against the individual holding the leadership position could be motivated largely or primarily by a desire for retaliation or might otherwise be provoked by extraneous factors, as distinguished from being inspired by a desire to advance the reputation and standing of the organization.

e. Other Potential Oversight Alternatives. The Committee has also considered the possible use of other less intrusive oversight or independent review alternatives to address Board or Committee actions or decisions that may be considered objectionable, including the following:

(i) Review Committee. A Member-elected “Review Committee” could be tasked, perhaps upon the request of a stated minimum number or minimum percentage of Association Members, to review specified key categories of Board or Committee actions or the conduct or performance of Board or Committee members, and upon completion of such review to submit a report to the full Lacamas Shores membership setting forth the Review Committee’s views on the propriety or prudence of the Board or Committee decisions at issue or on the questioned conduct or performance of Board or Committee members. Such a Review Committee would not be authorized to take any action to override a Board or Committee decision or to discipline a Board or Committee Member. While the use of a Review Committee with these more limited responsibilities might be less intrusive upon Association governance than permitting a direct homeowner challenge to a Board or Committee decision or establishing an Oversight Committee or Review Panel having the more formidable functions previously discussed above, on balance the Ad Hoc Committee believes, as discussed more fully below, that it would not further the interests of the Association to create a Review Committee that would be charged with second-guessing a Board or Committee decision or with grading the performance of any volunteer Board or Committee members. In addition, as observed previously regarding the possible use of an Oversight Committee, there would be no guarantee that the members of an elected Review Committee would be any more likely to make a “correct” decision than the members of the elected Board.

(ii) Ombudsman Position. An ombudsman position¹⁴ could be established within the Association to permit individual homeowners, or groups of homeowners, who may have

¹⁴ An ombudsman is an individual, traditionally appointed as a public advocate by governmental bodies, who is given authority to represent the interests of the public by investigating and addressing complaints of maladministration or a violation of rights. Comparable ombudsmen positions are also occasionally established by corporations or other private organizations who wish to provide similar benefits to their employees or members. The typical duties of an ombudsman include investigating complaints and attempting to resolve them through consultation, recommendations, facilitation, and mediation. Ombudsmen sometimes also aim to

concerns relating to the ongoing governance of the Association, or to the legitimacy, propriety or prudence of Board decisions that apply on a community-wide level (as distinguished from decisions that relate to a particular property or limited group of properties), to call such concerns to the attention of the ombudsman. Any such ombudsman position, however, would typically have only limited authority that relies on the power of persuasion and the use of dialogue, as distinguished from oversight or disciplinary power. Moreover, given that any ombudsman would be a volunteer homeowner who ideally would need to have a background and experience well suited to both factual investigation and conflict resolution, finding such an individual who would have the time and level of commitment needed to perform the ongoing required duties of an ombudsman could well be a challenging task.

f. Conclusions Regarding Oversight Proposals. For the reasons previously stated, as well as the additional points set forth below, the Ad Hoc Committee believes that it would not be appropriate or in the best interests of the Association to create a mechanism that would allow individual homeowners to challenge Board or Committee decisions or actions, or to establish a separate elected Oversight Committee, an independent elected Review Panel, a Review Committee, or an ombudsman position.

(i) Potential Negative Impacts. In the Committee's view, each of these types of oversight mechanisms, arrangements or structures would run a significant risk of being counter-productive to the objectives, perception and solidarity of the Association as well as the ability of the Association to rely upon the willingness of homeowners to volunteer readily for Board and Committee positions. The use of such mechanisms, arrangements or structures might also raise potentially difficult issues with respect to a number of variables, including the criteria and process for the selection of the individuals who would be expected to assume responsibility for any review, oversight or mediation roles, the standards and procedures under which such individuals would operate to fulfill their responsibilities, and the nature and extent of the power and authority that could legitimately and prudently be assigned to such individuals.

(ii) Improperly Brought Complaints. Mechanisms would likely need to be developed to identify and discourage, and possibly sanction where appropriate, any complaints or challenges to Board or Committee actions or decisions that are motivated primarily by personal interests or personal antipathy as distinguished from the principal objective of pursuing the best interests of the Community. Coming up with a suitable protocol to deal with such issues -- not to mention the application of any such protocol in individual instances -- could likely be a divisive process.

identify systemic issues (whether of policy, procedure or implementation) within a public entity or private organization that can lead to poor service, faulty judgment, or improper interference with a person's rights or benefits.

(iii) Potentially Divisive Nature of Oversight Structures. On balance, the Ad Hoc Committee believes that any positive benefits that might result from the use of any of the proposed oversight mechanisms, arrangements or structures would be speculative at best, and that their existence would be likely to discourage qualified and committed candidates from seeking Board membership or from serving on Committees, as well as create a strong potential for distracting the Board and Committees from the focused performance of their ongoing responsibilities. In particular, the Ad Hoc Committee is concerned that giving an independently elected committee, panel or other body the power to impose penalties or sanctions against Board or Committee members for ethical violations or undesirable personal behavior would be a very divisive proposition and could well make it even more difficult to find homeowners who will be willing to volunteer for Board or Committee positions. Moreover, even if such a committee, panel or other body was not given enforcement powers but was simply required to report its conclusions to the Association membership, difficult issues of privacy and confidentiality would be likely to arise and the potential negative effect on volunteer interest and commitment would still remain. In summary, establishing a process that could lead to sanctions or penalties being imposed against Board or Committee members by an independent committee, panel or similar body on account of alleged ethical violations or inappropriate conduct would, in the view of the Ad Hoc Committee, be fraught with potentially serious negative consequences -- likely some of them unintended and unpredictable -- and could well also impair the solidarity and camaraderie of the community.

(iv) Board Enforcement of Ethical Standards. The Ad Hoc Committee believes that the prudent course to be followed by the Association should be to rely upon neutral members of the HOA Board to enforce, on a consistent basis and in accordance with well-constructed best practices procedures as suggested above, the ethical standards and rules of conduct applicable to Board and Committee members with respect to conflicts of interest, pursuit of personal interests (whether financial, familial, or business-related) in a manner inconsistent with the duty to act in the best interests of the Association, and improper disclosure of confidential information. In the Ad Hoc Committee's view, the appropriate remedy for any alleged ethical misconduct on the part of a Board member that homeowners believe has not been addressed in a satisfactory manner by the Board of Directors pursuant to the Association's adopted procedures for resolving ethics complaints would be the removal from the Board of the particular Board member(s) whose action or conduct is in question pursuant to the provisions of the Lacamas Shores HOA Bylaws dealing with the removal of Board members.¹⁵

¹⁵ Of course, if all or a significant number of sitting Board members are involved in an alleged violation that is sufficiently serious to suggest that recalling the complicit Board members should be considered, it is unlikely that the Board itself would see fit to call a membership meeting for the purpose of voting on a recall of the Board members. Therefore, holding a recall election would presumably require that a special membership meeting of the Association would need to be convened. Under the current Lacamas Shores Homeowners Association Bylaws (Article VII, Section 8), calling a special meeting of the membership would require the submission of a petition "signed by a majority of the Members." (Interestingly, this would appear to be the

g. Best Practices Recommendation. **In order to best support the principle of accountability within the Lacamas Shores Homeowners Association without creating intrusive processes that could undermine the solidarity of the Association and discourage Board and Committee volunteer service by homeowners, the Ad Hoc Committee recommends that the Association should focus primarily on ensuring that appropriate “best practices” procedures and protocols are being employed in the course of all Board and Committee meetings and decision-making.**

(i) Importance of Best Practices. The use of best practices in the consideration and disposition of significant matters will help to ensure the fairness, openness, integrity and credibility of all noteworthy decisions that are made by the Board or a Committee, and will bolster the chances that management decisions will be accepted as having been appropriately considered and properly made.

(ii) Scope of Best Practices. These best practices should apply both to the procedures used for review and consideration of matters pending before the Board or a Committee, as well as to the specific decision-making methodologies employed by the Board or Committee, including among other things the manner in which the reasoning behind particular decisions should be articulated and reported. These best practices are described in greater detail in the recommendations collectively set forth below in Section 5 of this Report.

SECTION 3

Dispute Resolution

a. Proposed Study Committee. The question of whether it might be desirable to create a general dispute resolution process for the Lacamas Shores community raises broader considerations than discussed in Section 2 above regarding the potential creation of an Oversight Committee, Review Panel, or other appointed or elected comparable body that would review and possibly be given the power to override certain Association decisions or actions, or that would consider complaints against Board members, Committee members, or homeowners. Based on homeowner input provided to the Ad Hoc Committee, it appears that there is a reasonably high level of interest regarding the general topic of dispute resolution as applied primarily to conflicts or disagreements that may arise between the HOA Board or an HOA Committee and an identifiable segment of Lacamas Shores homeowners. (This issue should be distinguished from challenges to Association decisions by an individual homeowner regarding alleged

same vote as would be required under the Bylaws to actually remove any individual from the Board -- specifically, “Directors may be removed by an affirmative vote of a majority of the entire Membership.” Article VIII, Section 3, of the Lacamas Shores HOA Bylaws.) In the absence of majority support for a recall election, the Ad Hoc Committee believes that any consequences to Board members alleged to have violated the Code of Ethics and Rules of Conduct should be determined at the time of the next Board election.

noncompliance of a specific lot or home with the CC&Rs or other generally applicable Association rules.) **After considering a number of factors that come into play when dealing with issues of dispute resolution, the Ad Hoc Committee recommends that the HOA Board should appoint a special study committee of the Association that would be charged with reviewing various potential dispute resolution procedures and practices that might reasonably be applied in a homeowner association setting. This special study committee should be asked to submit a report to the Association regarding whether there are certain dispute resolution options that might be suitable for use by the Association.** Any such special study committee would need to give due consideration to the nature, character, size and resources of the Lacamas Shores community when forming its recommendations. Additional observations regarding the proposed work of this special study committee are set forth in subparagraph c below.

b. Homeowner Complaints and Queries. **The Ad Hoc Committee also recommends that the same special study committee that is charged with the task of considering the merits of adopting a general dispute resolution procedure for the Association, as suggested above, should also consider whether it would be practical to construct a mechanism that would allow the Association to receive and respond to legitimate concerns that an individual homeowner, or group of homeowners, may have regarding the ongoing governance of the Association, or other community-wide decisions or actions that are made or taken by the Board or a HOA Committee.** However, any such mechanism should not, in the opinion of the Ad Hoc Committee, take the form of an “appeal” of Board decisions or actions, or authorize any outside body or committee to modify or override any duly adopted Board decisions or actions, or constitute a precursor for enforcement action to be taken against a Board member, Committee member, or homeowner. For example, a possible mechanism for consideration of homeowner questions regarding Association governance or other decisions or actions of community-wide interest or application, might simply involve the creation of a forum of some type -- perhaps more informal than formal -- to ensure that individual homeowners will have an ongoing means of access to the leadership of the Association to voice their concerns, coupled with the adoption of a process to address and respond to such concerns before they ripen into entrenched disagreements. In any event, the Board should take steps to ensure that there will be full transparency when communicating the reasoning behind any response that the Board provides to concerns raised by homeowners.

c. Dispute Resolution Framework. In connection with any review that might be undertaken by a special study committee concerning the feasibility of establishing a dispute resolution process for the Lacamas Shores HOA, the Ad Hoc Committee believes that any such special study committee should focus on a framework for the creation of a dispute resolution practice that (1) would not be likely to interfere with or impair the ability of the HOA Board to act efficiently and in a responsible manner with regard to Association needs and business affairs, (2) would ensure an appropriate sense of finality to Board decisions, and (3) would not be so

oppressive, restrictive or threatening that it would discourage qualified candidates from volunteering to serve the Association. **Specifically, the Ad Hoc Committee recommends that the following general principles should be considered and evaluated by any special study committee that is tasked with considering the merits of a dispute resolution procedure:**

(i) Board Member Education. **Following each annual meeting of the Association, and as a first order of business, each existing Board member that will be continuing in his or her position for the coming year, as well as each newly elected Board member, should be encouraged to participate in an educational session on Board service that focuses on a variety of relevant topics, including (1) understanding the responsibilities of Board membership, (2) becoming familiar with “best practices” for the performance of Board duties, (3) reviewing in detail the requirements and processes established in the Association’s governing documents for Board meetings and decisions, (4) maintaining and promoting an open line of communication between the Board and Lacamas Shores homeowners, and (5) understanding basic principles for avoiding conflicts and resolving disputes before they become entrenched.**

(A) Educational Sources. There are individuals and companies that specialize in professional training for group leadership, including the conduct of leadership seminars. Any such educational programs should be provided at HOA expense, subject of course to budgetary constraints. In this connection, it is noted that there may well be individuals within the Lacamas Shores community who have relevant expertise that could be drawn upon to provide guidance to incoming and continuing Board members relating to group leadership issues without incurring the expense of engaging outside professionals. In addition, there are various materials available online for homeowner association governance to inform new Board members of protocols and practices designed to create an environment that is conducive to membership participation, fosters understanding, promotes good working relationships with members, and bolsters the credibility of Board decisions.

(B) Attracting Potential Leaders. It should be noted as well that leadership development efforts can also take place within, and be encouraged by, a positive and welcoming atmosphere that generates interest on the part of homeowners to participate in Association affairs, whether through working on an Association Committee, chairing or participating actively in HOA events, or otherwise getting constructively involved in matters or issues concerning the community. In this connection, the Association's leadership should be continuously cognizant of how various actions taken and policies adopted by the HOA might either promote or detract from increased homeowner participation in governance, and should also be vigilant to address quickly and responsibly any conflicts or disputes that may create divisions or fractures within the community.

(ii) Dispute Resolution Options. **Full consideration of a dispute resolution procedure should encompass an array of possibilities, including the following options,**

among others: (A) active pursuit of informal discussions between parties representing the different sides of an issue to frame the areas of disagreement and provide a solid understanding of the differing positions of the parties and the reasoning supporting those positions, so that each party's views can be fully and fairly evaluated; (B) establishment of a process within the Association to receive and investigate complaints from homeowners relating to the governance of the Association or regarding objections to Board policies or community-wide decisions, with a view toward achieving voluntary and cooperative resolution of such complaints; (C) use of a mediator or facilitator – whether a qualified unbiased Board or Committee member or a third party -- to determine if concerns can be reconciled or resolved through calm and measured discussion and facilitation; and (D) creation of a standing Dispute Resolution Committee composed of disinterested fair-minded homeowners to review any matters in dispute and report back with non-binding recommendations for resolution of the dispute. It should be noted that variants of options (B) and (D) above have been discussed above in Section 2 of this Report, and those particular variations have been dismissed as inadvisable by the Ad Hoc Committee. Nevertheless, a special study committee charged with the task of considering dispute resolution practices, should have the right to engage in an independent assessment of the merits of such options notwithstanding the conclusions reached by the Ad Hoc Committee.

(iii) Resolution by Arbitration or Judicial Intervention. Ultimately, if a dispute involving HOA Board action or conduct cannot be settled by voluntary means, and is not rendered moot by new Board elections, then litigation (or binding arbitration if both sides agree to such a process) may be the ultimate solution, unfortunate as that may be. **The Ad Hoc Committee recommends that the special study committee referred to above should also consider, with the input of the Association's legal counsel, under what circumstances a matter in dispute might be referred to binding arbitration, and whether an advance agreement by Board or Committee members to participate in such an arbitration proceeding would be permitted under applicable law.** The drafting of usable and fair arbitration clauses can be a complex undertaking and needs to take into account a variety of issues, including the method by which an arbitrator will be selected, the specific arbitration procedures to be used, the role that attorneys should play in the arbitration process, the timing for conducting and completing the arbitration process, allocation of the costs of arbitration, and enforcement of the arbitration decision.

SECTION 4

Use of Committees

a. Contributions Offered by Committees. Most homeowner associations typically use two basic categories of Committees in connection with the operation and administration of the

association: standing committees and ad hoc, special or study committees. Given the volunteer nature of the Lacamas Shores HOA, the prudent use of committees to assist the Board in the performance of its responsibilities should help to reduce the time demands on individual Board members, provide opportunities for broader input from interested homeowners, increase homeowner understanding of Association needs and responsibilities, and provide opportunities for homeowners to become active in Association affairs. In due course, such involvement will hopefully enable a larger number of homeowners to serve the community in various capacities, and may also potentially increase the candidate pool for Board positions, since those who willingly serve on committees will become more familiar with the needs of and benefits offered by the community and may be at least somewhat more likely to be willing to assume greater responsibility within the community, including eventually serving on the HOA Board.

b. Governing Document Constraints and Interpretation. The Ad Hoc Committee is not in a position to construe or comment on the requirements of Washington state law that govern the Lacamas Shores HOA or on any legal matters relating to the interpretation of the Association's governing documents, and any legal issues or concerns will need to be referred to the Association's legal counsel for review and input. Nevertheless, it is noted that the Washington State nonprofit corporation law (under which the Lacamas Shores HOA has been formed, as provided in Article III, Para. 2, of the Lacamas Shores Articles of Incorporation) provides that, unless specified in the articles of incorporation or bylaws, a board of directors does not have authority to create committees to which the board may delegate its authority to manage the nonprofit corporation. In addition, if the articles or bylaws of the nonprofit corporation do give the board of directors the authority to form such committees, then for any delegation of management authority to be effective, the particular committee must have at least 2 Directors as committee members. The Lacamas Shores HOA Bylaws expressly authorize the Board to create committees, and also provide that any such committees which "shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Association" must consist of at least 3 Members (or lessors of Members, or immediate family members residing in the home of a Member), and at least 1 such committee member "shall be a Director."

Apart from the question of how many Board members may be required to serve on Association committees, it is noted that both the provisions of the Lacamas Shores Bylaws and the Washington state nonprofit law relating to the required presence of one or more board of directors members on committees could be interpreted to be applicable solely to committees that will "exercise the powers of the Board of Directors in the management of the business and affairs of the Association." It is unclear to the Ad Hoc Committee whether these requirements should necessarily be construed to apply to other types of HOA committees that are not authorized or expected to exercise any management powers of the Board (such as, for example, a study committee or other special committee formed to investigate and report on particular matters, as distinguished from a committee which is authorized to take any action or exercise any discretion

on behalf of the Association). To the extent that placing one or more Board members on a study or other special committee would not be legally required, the Board would presumably have increased flexibility when selecting the committee membership and, in addition, the time demands on Board members in connection with service on such committees could be considerably reduced.

The Ad Hoc Committee recommends that the Association request its legal counsel to advise the Association (1) whether or not study or other comparable HOA committees that are created to simply review, study and report on matters designated by the HOA Board, as distinguished from committees that are authorized to take action or make decisions regarding such matters or to otherwise exercise management responsibilities, would be subject to the requirement that one or more Board members must serve on the particular committee, and (2) where Board membership on a committee is required, whether the provisions of the Lacamas Shores Bylaws (requiring that at least 1 committee member must be a Board member) or the provisions of the Washington state nonprofit corporation provisions law (requiring that at least 2 committee members must be a Board member) would prevail.¹⁶

c. Increased Use of Committees. **The Ad Hoc Committee recommends that the HOA Board should consider establishing several standing or special committees to assist the Board in connection with the operation and administration of the Association. Specifically, the Committee recommends that the Board give prompt consideration to creating the following committees:**

(i) Member Communications. A standing Member Communications Committee that would have responsibility for organizing and overseeing the various Association communications vehicles and platforms, as discussed more fully in Section 1 of this Report.

(ii) Governing Documents Update. **A special study committee to review and report on possible modifications that might be appropriate to update and modernize the Lacamas Shores CC&Rs and the Articles of Incorporation, Bylaws, and other governing documents of the Association.** Although the Lacamas Shores HOA Bylaws were recently modified in March 2015, the other governing documents of the Association trace back a number of years to the late 1980's and early 1990's. Some or all of the Lacamas Shores governing documents may well need to be updated to reflect current conditions and new statutory

¹⁶ Literally, there appears to be a conflict between Washington statutory provisions requiring that at least 2 Board members must serve on any such committee and the Lacamas Shores Bylaws requiring that only 1 Board member is required to serve on such committee. Legal advice would need to be obtained regarding whether or not the Lacamas Shores Bylaws or the Washington statutory provisions would take precedence with respect to the minimum number of Board members required to serve on any committee that may be exercising management powers.

requirements, as well as to incorporate best practices that have evolved since the documents were originally prepared or last revised.

(iii) Views and Wetlands Management. **A special study committee on views and wetlands management.** At the Association's most recent annual meeting, the Members voted down a proposal for the creation of a Wetlands Delineation committee. However, the Ad Hoc Committee understands that city and county officials have expressed concerns regarding potential impacts of further urban development and wetlands maintenance on the water quality in Lacamas Lake. Given existing conditions and the fact that wetlands management can be a very complicated undertaking, the Ad Hoc Committee believes that it is important for the Association to have a full understanding of the legal and practical requirements associated with proper maintenance of the wetlands areas that are part of the HOA Common Area. Appointment of a committee that can gather all necessary relevant information relating to the protection of wetlands environments, interface as needed with local government officials having responsibilities for wetlands properties, develop a proposed management system for maintenance of the HOA wetlands areas, and construct a realistic budget for such activities, would be an important step for the Association in order to ensure that the HOA is fully aware of and is properly discharging its obligations as a wetlands owner.

(iv) Dispute Resolution. **As has been discussed more fully in Section 3 of this Report, a special study committee to consider dispute resolution options.**

(v) Strategic Planning. **A strategic planning committee that is charged with the task of identifying and planning for the future development and longevity of the Lacamas Shores community.** Such a committee should focus on short-term, medium-term, and long-term goals and objectives, as well as needs and resources. A strategic plan is a valuable tool for any organization to drive its direction, assemble its resources, and ensure consistent decisions. With a carefully constructed strategic plan, projects can be scheduled in a proactive rather than a reactive manner. Decisions can be made in a timely manner with ample opportunity for thorough review and planning. Costs can be projected and budgeted with an increased level of confidence. In this connection, it is noted that the Association recently completed a comprehensive Reserve Study which looked at issues involving ongoing maintenance and capital replacement needs for the physical infrastructure and other improvements owned and managed by the Association. However, such a Reserve Study is not a substitute for a well-constructed strategic plan, which focuses on a number of issues, some of which are related to property replacements and other reserve items and some of which are not. For example, a strategic plan will typically analyze the projected financial resources of the Association at given points, will identify and assess the human resources available to the Association, will ascertain the desires, preferences and values of the collective Lacamas Shores homeowners, will appraise the conditions present in the general community, will consider applicable statutory and regulatory requirements, will prioritize and allocate Association resources, and will investigate and evaluate a variety of options for the enhancement of the Association's services as well as its common

areas and facilities. Other potentially significant topics might also be considered in a strategic planning process, such as ways to encourage homeowner participation in HOA affairs and activities, and evaluation of the proper types and levels of insurance coverage to be carried by the Association.

(vi) Homeowner Engagement. **A committee focused on improving homeowner participation and engagement within the Association.**

d. Standards for Committee Formation. Any committee that might be assigned ongoing responsibilities in connection with specific matters or tasks that are of a continuing or repetitive nature might appropriately be formed as a Standing Committee.¹⁷ Other committees whose assignments will be more limited in duration or scope might be formed as study committees, special committees, or ad hoc committees. In any event, **the Ad Hoc Committee recommends that the following guidelines should be adhered to by the HOA Board when a committee is created:**¹⁸

(i) Committee Charter. **The Board should develop a specific committee charter that both delineates the committee's objectives and specifies the particular functions that the committee will be expected to perform. The overall scope of the committee's work should be set forth as clearly as feasible.**

(ii) Qualifications of Committee Members. **The Board should make a concerted effort to staff the committee with volunteers who have the qualifications, knowledge and experience to provide the type of critical analysis and problem-solving acumen necessary to complete the committee's assignment in an efficient and comprehensive manner. This would particularly be important for any committee whose assignment would include significant technical or legal issues, such as a committee charged with reviewing and developing recommendations on views and wetlands management.**

(iii) Breadth of Viewpoints. **When appointing committee members, the Board should, to the extent feasible, seek to accommodate and balance the range of perspectives on particular issues that exist within the Lacamas Shores community and that will be under consideration by the particular committee.**

¹⁷ It should be noted that, although its members are appointed by the HOA Board, the Association's Architectural Control Committee, which is responsible for reviewing and approving proposed improvements on lots, including landscaping proposals, was directly established under Section 5.14 the Lacamas Shores CC&Rs.

¹⁸ In addition to the matters outlined above in the text of this Report, an Exhibit is attached to this Report providing additional commentary and suggestions relating to the formation and activities of homeowner association committees. The observations contained in the Exhibit have been developed largely from information made available online by FirstService Residential, a large property management company that, among other pursuits, provides independent management services for homeowner associations in various areas of the United States.

(iv) **Additional Guidance to Committee.** The Board should provide the committee with guidance regarding various matters that may reasonably be expected to arise in the course of the committee’s work, including the following: (A) a specific preferred time frame for commencement and completion of the committee’s assignment; (B) minimum guidelines to be followed by the committee for soliciting and considering homeowner input in the course of the committee’s work; (C) any special restrictions or other limitations on the committee’s activities; and (D) any budget limitations with respect to the incurrence of out-of-pocket costs that might reasonably need to be expended by the committee in order to fulfill its charter.

(v) **Use of Outside Professionals or Consultants.** At times, depending on the nature of a committee’s assignment, it may be necessary for the committee to seek the participation or advice of professionals or other consultants having special expertise that cannot be obtained from HOA members on a voluntary or pro bono basis. For such purposes, unless otherwise approved by the Board in advance, the committee should use standard RFP practices to obtain the necessary expertise at the lowest reasonable cost consistent with applicable budgetary limitations established by the Board.

SECTION 5

Meetings and Decision-Making

The Ad Hoc Committee has discussed a number of matters relating to Board meetings, Committee meetings, and general Membership meetings, with a strong focus on determining what would constitute best practices with respect to the planning, conduct and management of such meetings. The recommendations that have resulted from these discussions appear below. Such recommendations focus on incorporating review, discussion and decision-making processes that conform to best practices for comparable homeowners associations and that are designed to foster openness, fairness, integrity and credibility in the management of the Association. In addition, as noted previously, if best practices are followed consistently, the more troubling issues of accountability will hopefully disappear altogether or at least be significantly mitigated. In other words, if homeowners are satisfied that issues are being evaluated, considered, discussed and decided in good faith and with the best interests of the overall community in mind, and if all interested or affected individuals have been afforded a fair and reasonable opportunity to provide constructive input into the deliberations and decisions, then it is considerably more likely that the decisions made will be accepted on their merits and that disputes or disagreements between the leadership of the Association and homeowners can be minimized or avoided altogether.

a. **Best Practices Concepts.** The Ad Hoc Committee notes that, in a not insignificant number of instances, the existing HOA governing documents and related Board practices already incorporate features that would conform to best practices. **The Ad Hoc Committee**

recommends that the Association should consider adding additional best practices policies and procedures where they do not already exist. Also, it goes without saying that, in all Association-sponsored meetings -- whether Board meetings, Committee meetings, or the annual meeting -- courteous presentation of ideas and comments, and respectful acknowledgement, questioning and discussion of such ideas and comments, should be a paramount part of any comment and decision-making processes.

b. Best Practices Recommendations. With the above observations in mind, the Ad Hoc Committee offers the following “best practices” recommendations relating to the conduct of Association meetings:

(i) Board Meetings

(A) Notice and Agenda. **The Ad Hoc Committee recommends that reasonable advance notice of the planned Agenda for each Board meeting should be published on the Association website and, as and where practical, disseminated to homeowners using other electronic communication platforms.** For example, to the extent feasible, the Agenda for each Board meeting should be sent out electronically to homeowners who have provided e-mail addresses or text messaging contact information. The published Agenda should describe the topics to be considered by the Board in reasonable detail, and should be written in plain English wherever feasible, so as to inform homeowners of the general nature and scope of the matters to be considered. Confidential matters can be identified as such in whatever manner may be appropriate to ensure the non-disclosure of confidential information. The published Agenda should also indicate for each Agenda item how the Board plans to accommodate input from interested homeowners, whether at the meeting or by means of written submissions or other process, and where applicable the Agenda should also set forth any limitations regarding the time frame to be followed for the receipt of homeowner comments. Any changes to the scheduled Agenda for which advance notice of the change is impractical can be announced at the time of the meeting.

(B) Homeowner Input. **The Ad Hoc Committee recommends that the HOA Board should, unless overriding considerations indicate otherwise, provide an opportunity to Members to provide written or oral input and comment on any Agenda items that could (1) materially affect the financial condition of the Lacamas Shores HOA, the physical condition of the HOA Common Area, or the aesthetic appearance of the Lacamas Shores development, (2) raise issues which are reasonably expected to be controversial in nature, or (3) otherwise reasonably be expected to be of significant interest to an identifiable segment of the Lacamas Shores community.**

(1) If an Agenda item concerns a particular homeowner or specific lot, or an identifiable group of homeowners or lots, then except in very unusual circumstances, the Board should set aside a reasonable period of time at the scheduled Board meeting to allow the

affected individual or group of individuals to provide input or comments on the matters in issue. In addition, the Board should inform the affected individuals, in writing in advance of the meeting, what types of information will be helpful to the Board both in reviewing the issues that are of concern and in making its decision.

(2) Once a decision has been made, the Board should also ensure that any individuals who will be affected by the decision are informed, whether at the meeting or through written communication delivered promptly following the meeting, whether or not any of the matters decided by the Board will be open for reconsideration upon presentation of additional or new information and, if so, what time frame will be allowed for submitting such information.

(3) Finally, if the Association has adopted a dispute resolution process that will apply to the particular decision made by the Board, the Board should also advise the affected individuals of the availability of the dispute resolution process.

(C) Statement of Reasons for Decisions. **The Ad Hoc Committee recommends that, when making decisions on matters during the course of a public Board meeting, the Board members should attempt, if at all possible, to articulate in reasonable detail their reasons for taking a specific position or reaching a particular outcome.**

(1) Where standards or criteria specified in the Lacamas Shores CC&Rs or Bylaws, or in other HOA written policies or documents, are being applied to the resolution of a matter or issue, it would be highly desirable – for the dual purposes of establishing precedent and promoting understanding -- for Board members to focus on the application of such standards and criteria when explaining or commenting on their reasons for reaching a particular conclusion.

(2) In certain instances, Board decisions will not be subject to the application of clear standards or criteria under the Association’s governing documents or past precedent, but may simply require the exercise of informed good faith discretion by Board members. Nevertheless, the articulation of a rational explanation for how a Board member is reaching his or her decision will go a long way toward underpinning the soundness and encouraging the acceptance of that decision.

(D) Open Agenda Items. **The Ad Hoc Committee recommends that the HOA Board should make good faith efforts to include, as part of the published Agenda for at least some of its regularly scheduled meetings, a “New Business” entry, or an equivalent scheduled period of time, during which homeowners will be given a reasonable opportunity to raise and discuss issues that they believe are of importance to the Lacamas Shores community.** Of course, due consideration will need to be given to timing constraints attributable to the presence or absence of one or more controversial, difficult or time-consuming issues that may be on the same Agenda for a particular meeting. In any event, “open agenda” discussions have been used productively by other homeowner associations to provide a mechanism for

regular homeowner input to the Board regarding matters that are of potential significance to the community. As such, any open agenda discussions should focus on matters that are of general interest to the community, as distinguished from issues that affect or relate primarily to individual homeowners or lots or to relatively small groups of homeowners or lots. In this connection, one potentially frustrating experience for homeowners is a situation where one or more homeowners may raise a legitimate concern during an open agenda period in a constructive manner, but the presentation is followed by either silence or evident disinterest on the part of Board members. While not every homeowner presentation may be well thought out or clearly call for further discussion, the Board should at least expressly acknowledge a homeowner's concerns and (1) if feasible and if time permits, proceed to discuss the issues raised in the presentation during the same meeting, or (2) schedule consideration of the concerns expressed for a subsequent meeting, or (3) communicate in writing to the homeowner following the meeting the Board's acknowledgement of the concern expressed, appreciation that the homeowner has chosen to raise it in a constructive manner, and an indication of whether or not the Board intends to engage in any further discussion or consideration of the issues raised.

b. Committee Meetings. The Association has at least one permanent standing committee (the Architectural/Landscape Committee), plus a Traffic Committee. On occasion, and as suggested in Section 4 above, the Board may also choose to establish other standing committees or special study or review committees to assist the Board in connection with matters of policy and governance, the administration of the HOA, or the completion of various short term or long term projects. Depending upon the nature and responsibilities of a particular Committee, periodic open meetings of that Committee should generally be encouraged where feasible and consistent with the Committee's assignment and schedule; and of course, due consideration should be given to potential issues of confidentiality and the occasional need for ensuring private communication of views. Where open meetings are not feasible or appropriate in the good faith judgment of the Committee members, alternative means should be used to solicit and obtain written or verbal input from HOA Members. In any event, for any Committee that is intended to perform functions over an extended period of time, an effort should be made to provide periodic reports to homeowners to inform them of the Committee's activities, either by postings on the HOA website, articles in the Views Newsletter, or circulation of brief written reports by mail or e-mail.

c. Annual Meeting – The Agenda for each Annual Meeting should be published and distributed well in advance of the meeting and, to the extent feasible, the annual meeting should be scheduled for a day and time that will be likely to promote maximum attendance by homeowners. In addition to conducting the election for the Board of Directors at the Annual Meeting, the Annual Meeting should be viewed as an opportunity to deliver a “state of the community” report to the homeowners, to share with the homeowners any proposed studies, evaluations or other undertakings planned for the coming year, and to alert the homeowners to any significant issues or concerns that the Board believes should be brought to the attention of

the community. In addition, as a general rule, and subject to time constraints, it would be desirable to permit homeowners to provide input at the Annual Meeting on any concerns relating to the Association as well as on any issues that may be of interest to the broader Lacamas Shores community.

SECTION 6

Enforcement of CC&Rs

Occasionally in any homeowner association setting, a homeowner may violate CC&R provisions or other published association rules, or fail to pay assessments, or otherwise act in a manner contrary to the best interests of the association. **The Ad Hoc Committee recommends that the Lacamas Shores HOA should adhere to the following best practices in dealing with homeowner violations of the CC&Rs, other HOA governing documents, or duly adopted HOA rules:**

- a. **Specification of Sanctions. A description of the fines, penalties or sanctions that can be imposed for particular categories of violations should be included in a schedule published by the Association so that all homeowners will have fair advance notice of the consequences of any violations.** In the course of adopting any schedule of fines, penalties or sanctions, the Board might consider whether the Association members should be given the opportunity to provide input on a proposed schedule before it takes effect, or alternatively whether an advisory or other vote of the Association’s membership might be sought before certain categories of fines or other sanctions or penalties are implemented.
- b. **Verification of Allegations. Any purported violation of the CC&Rs, HOA governing documents, or adopted HOA rules should be carefully verified, in as confidential a manner as feasible, prior to undertaking formal enforcement action in order to ensure that erroneous accusations are not made.**
- c. **Procedure to Review Violations. Once a violation of the CC&Rs, HOA governing documents, or adopted HOA rules has been confirmed by the Board (or by a standing or ad hoc committee or panel that has been designated by the Board to investigate or consider alleged violations), the Board (or designated committee or panel) should appoint one or more representatives to meet with the homeowner or group of homeowners involved to (i) discuss the reasons for the violation, (ii) determine if it was inadvertent or intentional, (iii) review options for voluntary compliance or correction of the violation, and (iv) determine whether the matter in issue can be resolved on a voluntary basis without the institution of formal enforcement proceedings.**

d. Follow-up Action. **If voluntary compliance, or other suitable consensual resolution of a confirmed violation of the CC&Rs, HOA governing documents, or adopted HOA rules, is determined not to be possible within a reasonable time, then the Board (or designated committee or panel) should commence a formal proceeding to enforce the CC&Rs, HOA governing documents, or adopted HOA rules.** This formal proceeding should include the following features: (i) clear written notice to the offending homeowner(s) of the nature and effect of the alleged violation; (ii) a defined period of time in which the offending homeowner(s) will have the ability to respond in writing to the accusations made in the notice of violation; (iii) a meeting or hearing at which the Board (or designated committee or panel) will discuss and consider the violation, and at which the offending homeowner(s) will be given a fair opportunity to appear and present their views and positions and, if necessary, to question any party which is providing input for the proceeding (this meeting or hearing may be held on a “closed door” basis if the Board or designated committee or panel, or the Association’s legal counsel, believes that privacy or confidentiality should be preserved); (iv) clear written notice to the homeowner(s) of the remedies that the Association intends to seek if a violation is confirmed; (v) deliberation by the Board (or designated committee or panel) to determine the disposition of the alleged violation (such deliberations may be conducted at the meeting or hearing at which the offending homeowner(s) have presented their positions or in a subsequent separate meeting of the Board or designated committee or panel); (vi) adoption by the Board of a written determination for the disposition of the matter, or submission to the Board of written recommendations by the designated committee or panel for the disposition of the matter (with the Board alone having the final say with respect to any binding determination); and (vii) delivery of such written determination to the offending homeowner(s) a reasonable time prior to any public release of the Board’s determination.

e. Publicity. **Any public release or other public disclosure of the Board’s decision regarding any homeowner violations of the CC&Rs, HOA governing documents, or adopted HOA rules should be made or authorized by the Board only after considering, with the advice of the Association’s legal counsel if necessary, whether the resolution of the matter should be kept confidential in whole or in part.**

SECTION 7

Election Process

a. Lacamas Shores Bylaws. The Lacamas Shores HOA Bylaws, amended most recently in March 2015, provide rules for voting on issues which are subject to Member approval, including rules relating to the determination of a quorum, the use of proxies, voting by mail or electronic transmission, and the conduct of the vote. These rules apply to the annual election of the Board of Directors, as well as other matters on which the Members may be entitled to vote. **The Ad**

Hoc Committee recommends that the HOA Board should request the Association’s legal counsel to confirm that the existing election procedures, including proxy rules, being used by the Association are in full conformance with both Washington statutory provisions and the relevant governing documents of the HOA. If any problems of interpretation regarding the election process arise that potentially raise legal issues, the Association’s legal counsel should be asked to provide advice regarding the resolution of any such issues.

b. Election Process Enhancements. **The Ad Hoc Committee recommends that the HOA Board should consider whether improvements could be made in the existing election process.** For example, the candidates running for Board positions could be asked to provide somewhat more detailed résumés containing additional background information about their experience and any special qualifications, as well as brief written statements outlining their ideas or positions concerning current important issues pending before the Board as well as other potentially significant matters that are reasonably expected to come before the Board for consideration during the succeeding year. In addition, a reasonable time prior to the annual election of board of directors members, some homeowner associations will typically schedule a “Candidates’ Forum” or similar gathering open to the association membership, at which individuals running for seats on the board of directors will have the opportunity to appear, outline their qualifications and priorities, and be questioned by association members. These types of forums are intended to be informative only, and not in any way confrontational, and they may be held on an informal basis or in a more formal setting. Such gatherings may or may not be appropriate for the Lacamas Shores community, but in any event the Association might wish to consider whether some variant of a Candidates’ Forum or “Introduction to the Candidates” might offer a useful opportunity to homeowners to become more familiar with the candidates for Board positions.

c. Board Turnover and Rotation of Leadership. **The Ad Hoc Committee recommends that the issue of creating mechanisms to accommodate or promote periodic turnover of Board members should be carefully evaluated and considered.**

(i) Limitations on Board Service. The use of staggered terms, term limits or “black-out periods,” and other procedural rules designed to encourage rotation of leadership within an organization, are issues that should be evaluated by the Association. There are no easy or universally supported answers to the question of whether it is a good policy to limit the choices that the members of a nonprofit corporation or association have when electing their leadership. Supporters of term limits typically believe that, on balance, it is healthy for an organization to promote periodic turnover of leadership positions in order to encourage change, innovation, and the introduction of fresh ideas. Arguably, term limits can also produce increased opportunities for participation by individuals who might not otherwise feel comfortable in seeking to displace longstanding board members; in some cases, for example, board service that extends over a number of years might effectively discourage others from volunteering to serve in a leadership capacity by creating the impression (if not the reality) that it might be an uphill battle to replace a

particular well-established board member. In contrast, some would argue that the imposition of term limits simply guarantees that a board of directors will lose its most productive and helpful members at some arbitrary fixed point in time, and that even if such individuals are allowed to return later, the organization loses their contributions in the meantime. Moreover, particularly if the length of a standard term on the board of directors is reasonably short – such as 1 or 2 years – term limits arguably inhibit the growth of strong board leadership and deprive the organization of institutional memory with regard to understanding how the organization works. A related issue is whether officer positions held by individual board members should be rotated on an annual basis even if the composition of the particular board of directors remains relatively static.

(ii) Review of Board Service Options. The Ad Hoc Committee is aware that a significant number of homeowner associations commonly impose staggered terms for board of directors members, set up term limits that require a board member to step down after serving a maximum of two or three consecutive terms, or limit the ability of re-elected board members to serve as a principal officer of the organization over consecutive terms. The Ad Hoc Committee takes no position on whether term limits, staggered terms, or other mechanisms to encourage HOA Board turnover and rotation of leadership, should be adopted by the Lacamas Shores homeowners association, particularly given the relatively limited number of homeowners in the Lacamas Shores community and the practical difficulties of finding individuals who are prepared to assume the burdens of serving on the Board. **However, the Ad Hoc Committee recommends that, if a special study committee is appointed to consider making modifications to the existing HOA governing documents, as suggested in Section 4 above, such committee should also be asked to evaluate the pros and cons of establishing term limits or other mechanisms to accommodate or promote periodic leadership turnover.**

d. Recruitment of Volunteers. Many if not most homeowner associations experience difficulty in recruiting qualified and committed homeowner members to volunteer for leadership positions, including in particular seats on the board of directors. In this connection, the procedures used to nominate and vet board candidates vary widely from association to association. **It is the Ad Hoc Committee's recommendation that, a reasonable time prior to each upcoming annual meeting at which HOA Board members are to be elected, the Board should initiate efforts to identify and approach homeowners who have served on Association committees, participated in Association meetings and affairs, or otherwise signaled a possible interest in and commitment to the governance of the Association, and regardless of their particular persuasion, encourage such homeowners to consider possibly running for a seat on the Board, either at the next scheduled election or in future years. In addition, the Board should initiate an effort to encourage all homeowners to take an interest in HOA affairs and participate in HOA meetings and other activities, with a view not only to increasing participation generally in Association affairs, but also for the purpose of identifying homeowners who, because of their backgrounds, capabilities, temperament, and level of interest, might be inclined at some point to assume a position of**

leadership within the Lacamas Shores community. In this connection, the possible formation of a special HOA Committee to develop and implement ideas for increasing homeowner participation and engagement in Association affairs, as suggested in Section 4 above, could be an important contribution.

SECTION 8

Additional Recommendations

a. Homeowner Survey. **The Ad Hoc Committee recommends that the HOA Board should consider whether it would be productive to conduct a survey of Lacamas Shores homeowners regarding the governance structure of the Association as well as various other issues that may be of concern to the community.**

(i) Contributions of Surveys. Getting the sense of the broader Lacamas Shores community on some of the issues discussed in this Report, as well as other matters of potential significance to homeowners, may well be helpful in enabling the Association to properly reflect and anticipate the desires of its Members. While the Ad Hoc Committee attempted to solicit input from a broad segment of the Lacamas Shores community in connection with the Committee's consideration and evaluation of the various issues discussed in this Report, the Committee was disappointed that it received only limited responses from the community at large. The reasons for this relatively narrow level of input are not entirely clear, and are difficult to deduce. For example, the Ad Hoc Committee's experience could suggest that a number of Lacamas Shores homeowners may not be robustly engaged in HOA issues and affairs, or that the Ad Hoc Committee's efforts to draw out input from the community were not sufficiently publicized or pushed, or that the Association's ability to communicate with homeowners through existing platforms may be inadequate. In any event, conducting a well-structured survey of Lacamas Shores homeowners could provide an opportunity for the HOA Board to obtain helpful input and information from Lacamas Shores residents that will assist the Board in its efforts to engage the community, to develop policies that will enjoy widespread support, and to make decisions with increased confidence that it is carrying out its duties in a manner that has the full backing of the community. In this connection, the Ad Hoc Committee is aware that broadly disseminated surveys have been conducted periodically in the past by other homeowner associations, and generally have been regarded as a helpful exercise, both for the purpose of identifying major issues of concern to a large number of homeowners as well as setting an agenda for Board consideration and possible action in the future.

(ii) Scope and Content of Survey. The Ad Hoc Committee understands that homeowner surveys can be conducted for a relatively minimal cost, although this assumption would need to be verified since budgetary concerns may trump other considerations. In addition, of course, the validity and value of a survey will depend on the nature and phrasing of the

questions that are asked of respondents, and thus the scope and content of any survey would need to be carefully developed and constructed on an unbiased basis.

b. Hiring of Management Company. **The Ad Hoc Committee recommends that the Association investigate the feasibility of retaining an outside Management Company to assume certain administrative, accounting and other support functions for the Lacamas Shores HOA.**

(i) Tailoring Role of Management Company. The Committee understands that the possibility of engaging an outside management company to assist with the ongoing management and operation of the Association is an issue which has been raised in the past, but that no comprehensive evaluation of the pros and cons of hiring of a management company has been made. Since the Lacamas Shores HOA is totally volunteer based, engaging an outside management company to assist with the day-to-day operation of the Association's responsibilities could be a positive step that could relieve the Board members of various administrative burdens and free up time for more focused attention to major policy and governance issues. Retention of an outside management committee could also help to eliminate or reduce barriers to efficient and effective management of the Association, as well as minimize the opportunity for personal conflicts to develop between individual homeowners and elected Association leadership. The Ad Hoc Committee understands that the experience of other homeowner associations which have retained outside management companies for specified purposes has generally been positive, and therefore possible retention of a management company by the Lacamas Shores HOA may well be worth considering. Alternatively, various homeowner associations have hired a General Manager along with limited support and administrative staff as employees of the association to perform specified day-to-day management and operational functions; however, the size and financial resources of the Lacamas Shores HOA may make such an option impractical and uneconomic. In any event, of course, cost considerations (net of potential savings, such as in accounting or legal costs) will come into play, but the value created by the efficiencies and support that can be achieved with outside management company assistance may justify the added incremental cost.

(ii) Consideration of Management Company Option. The Ad Hoc Committee believes that it would be appropriate for the HOA Board to consider appointing a special study committee to investigate the feasibility and cost of securing an outside Management Company to perform specified functions for the Association. Such a study committee should be asked to evaluate which functions of the Association could most suitably be transferred to an outside Management Company as well as the terms and conditions upon which the services of such an outside Management Company could best be obtained. The Board could then weigh the potential benefits and costs of using an outside Management Company and come to a decision which the Board believes is in the best interests of the Association. Needless to say, obtaining informed homeowner input on this question would be a critical element in any consideration of such a proposal.

c. Resolution of Existing HOA Disputes. As previously noted, it should come as no surprise to any Lacamas Shores homeowner that there are a few significant disagreements currently percolating within the Lacamas Shores community. In the view of the Ad Hoc Committee, it is in the best interests of the entire community that these disagreements be resolved as quickly as possible in order to dispel any impression of dysfunction that might currently exist, as well as mitigate any potential adverse impact on the reputation of the Association or property values. **The Ad Hoc Committee encourages all affected parties to find ways to reconcile their divergent views and eliminate any further discord in our community.** While the Ad Hoc Committee is not in a position to offer any specific guidance regarding the resolution of matters in dispute, it seems obvious that, for the good of the community, efforts need to be made as soon as possible to put aside differences and seek to reach an accommodation on any outstanding disagreements. Whether an experienced mediator or facilitator might be able to help the parties resolve their differences should be explored. Alternatively, with the recent election of 4 new Board members, it is possible that the level of hostility within the Association will be reduced. In the meantime, steps might be taken by one or more parties that would serve to reduce tensions and encourage meaningful dialogue – for example, the Restore Lacamas Shores Team could remove its website, and the HOA Board of Directors could revisit the question of appointing one or more balanced Committees to address matters of concern to the Restore Lacamas Shores Team. In any event, in the view of the Ad Hoc Committee, it is imperative that every reasonable effort should be made to eradicate the current level of discord that exists within the Lacamas Shores community. If everyone acts in good faith and makes sincere efforts to diminish tensions and de-escalate hostilities, the Association will be in a much stronger position and will be able to make rapid progress in ensuring that the Lacamas Shores community retains its position of prominence.