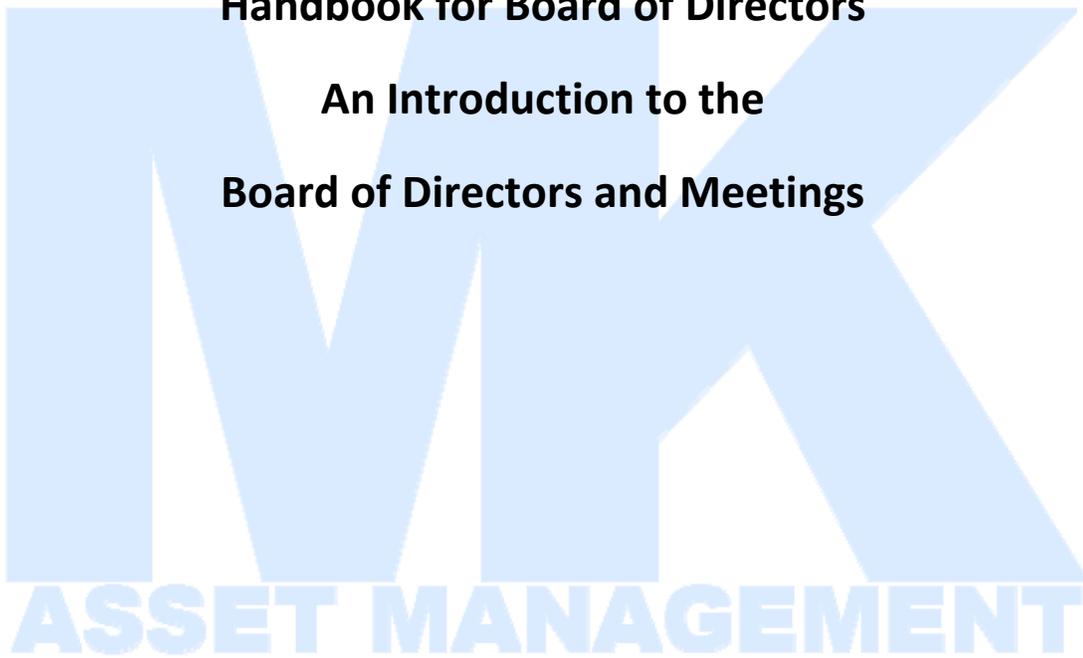




Handbook for Board of Directors

An Introduction to the

Board of Directors and Meetings



Introduction

This Handbook provides information that directors can use to run their meetings and take care of their organization's business in an efficient and productive manner. It explains who the major players are and their role in the governance of a small not-for-profit organization. It explores the different types of Board meetings and some types of action taken at those meetings. It also explains how to take action at those meetings through the use of the "motion."

Before relying on any of the procedures and rules in this Handbook, you should check your organization's bylaws and declarations. The bylaws and declarations take precedence over any information provided in this Handbook and must be followed by your Board. Failure to follow your organization's specific bylaws and declarations may result in legal challenges to any actions of the Board of Directors and the non-profit organization and/or render such actions invalid. This Handbook is only an introduction to the corporate governance system for an Illinois non-profit organization. Every organization is different and has its own special needs. Rarely is there only one way to accomplish a task or to run a meeting (unless that one way is required by law). Please read and apply the information in this Handbook with a view toward the special needs of your organization.

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ASSET MANAGEMENT

Who Are the Directors?

The Board of Directors is the group of people responsible for the overall management, oversight, and control of the organization. As a group, the Board directs, but does not participate in, the day-to-day activities of the organization. The people on the Board may be called "directors" or "members" of the Board. Your organization's directors are volunteers. They are not being paid, are not employees of the organization and do not receive a salary for their services. Nor have they been promised any kind of payment for their services to the organization - aside from actual direct expenses associated with performing their duties as directors. The bylaws and declarations of your organization, its formal, written rules and regulations, will specify: the required number of directors, who is qualified to serve as a director, and how the directors are elected, removed, and replaced. Directors are generally elected at an annual meeting of the organization. Finally, in Illinois, there must be at least three Board members. It is imperative that each director observe his or her fiduciary duties as a director, and put the interests of the organization ahead of his or her own personal interests.

Illinois law and court decisions impose certain powers and obligations upon directors. For example, among other things, the Board is empowered under Illinois law to sue, purchase and sell assets, borrow money, and enter into contracts on behalf of the organization. For more information, there are many publications that explain in detail the responsibilities of the Board and the directors of a non-profit organization. We recommend the Illinois Condominium Property Act and the Illinois Open Meetings Act as good starting points for furthering your understanding of Boards and their responsibilities. The Board's principal purpose, and the role of its directors, is the determination and fulfillment of your nonprofit's organizational mission and purpose. To that end, it is the Board's responsibility, among other things:

- to select the organization's management company;
- to oversee the management company's actions and day-to-day management of the organization;
- to provide organizational planning and establish organizational goals;
- to provide review and evaluation of such plans and goals; and
- to review, plan, and oversee the organization's finances.

Directors may fulfill their roles through regular meetings, special meetings and the establishment of committees.

Who Are the Officers?

The bylaws and declarations of your organization will specify who your officers are and how they are to be elected, removed, and replaced. Typically officers include a chairperson or president, treasurer, secretary and one or more vice-presidents. Officers are generally elected or appointed by the Board at an annual meeting of the organization. Depending on the bylaws and declarations, these positions may or may not be filled by the same person. Below is a brief job description of each officer's roles:

President -

- Oversees board and executive committee meetings
- Works in partnership with management to make sure board resolutions are carried out
- Calls special meetings if necessary
- Appoints all committee chairs and with management, recommend who will serve on committees
- Assists management in preparing agenda for board meetings
- Oversees searches for vendors and employees
- Works with the organization to recruit new board members
- Acts as an alternate spokesperson for the organization
- Periodically consults with board members on their roles and help them assess their performance

Treasurer -

- Attend all board meetings
- Maintain knowledge of the organization and personal commitment to its goals and objectives
- Understand financial accounting for nonprofit organizations
- Serve as the chair of the finance committee if one exists
- Manage, with the finance committee, the board's review of and action related to the board's financial responsibilities
- Work with management to ensure that appropriate financial reports are made available to the board on a timely basis
- Present the annual budget to the board for approval

Secretary -

- Attend all board meetings
- Ensure the safety and accuracy of all board records
- Review board minutes
- Assume responsibilities of the president in the absence of the board president, president-elect, and vice presidents
- Provide notice of meetings of the board and/or of a committee when such notice is required

Vice Presidents -

- Attend all board and committee meetings and functions, such as special events.
- Be informed about the organization's mission, services, policies, and programs.
- Review agenda and supporting materials prior to board and committee meetings.
- Serve on committees or task forces and offer to take on special assignments.
- Follow conflict-of-interest and confidentiality policies.

- Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements.

ROLES OF DIRECTORS IN RUNNING A BOARD MEETING

A. Board of Directors Meetings

Per the Illinois Condominium Property Act, Board meetings are to take place four times annually. Typically, the Annual meeting will occur directly following one of the four regular Board of Directors Meetings. "Special" Board meetings may also be held on an as-needed basis.

B. Role of the President of the Board

The President of the Board of Directors plays an important role in your organization, both in setting its overall mission and helping it to achieve its goals. Additionally, the President is responsible for presiding at Board meetings and ensuring that the Board functions effectively and efficiently in accordance with the organization's bylaws, e.g. by making sure that the agenda is followed. The President also sees that the Board and management work together to fulfill the organization's purpose.

What if the Chair/President Is Absent?

If the President is not present at a meeting, the bylaws should determine who presides. Otherwise, the directors at the meeting might decide to appoint an Acting President from among the directors present at the meeting to fulfill the role of President at the meeting.

C. Role of the Secretary of the Board

In general, the Secretary:

- (i) takes attendance at meetings;
- (ii) is responsible for the minutes of the meetings, as described below;
- (iii) is responsible for having the agenda and other materials relevant to the next meeting circulated to the directors in a timely manner before each meeting;
- (iv) supervises custody of the Board's records and minutes;
- (v) certifies, if also the Corporate Secretary, organization bylaws, resolutions, and other official documents as true and correct copies thereof; and
- (vi) performs any other jobs assigned by the Board, or as set forth in the bylaws.

What if the Secretary Is Absent?

If the Secretary is not present at a meeting, then the directors present should appoint an Acting Secretary from among those directors present at the meeting. The Board may also choose to appoint a Recording Secretary. This is usually a staff person (not a member of the Board), who is good at taking notes and putting them into the proper format for the Secretary's approval.

What Are the "Minutes" of a Board Meeting?

The Board must keep written records ("minutes") of all its meetings. It is important that all authorizations and actions be properly recorded. The Secretary is responsible for keeping the minutes of each meeting, and the Board is responsible for approving the minutes at the following meeting. Because the minutes are the Board's official record of all actions taken, the

minutes and other records should be well organized and made available to all voting members of the organization.

To "keep minutes," the Secretary (or Recording Secretary) should take detailed notes during the meeting to allow for the preparation of formal minutes. Afterwards, the minutes should be typed into a written document based on the Secretary's notes from the meeting. The minutes should include the following information about each Board meeting:

- (i) the type of meeting (e.g. telephonic, video conference) and the date, time, and place of the meeting;
- (ii) the names of Board members present, and that a quorum (as described below) was established;
- (iii) the names of any absent Board members;
- (iv) a summary of the meeting, including a recount of all items discussed, and the results of all votes taken (including on what issue, and the number of Board members in favor, opposed, and abstaining); and
- (v) unfinished matters to be followed up at a later meeting. The minutes are not a transcript of the meeting and typically do not include details of discussions and individual statements, unless a director specifically requests certain details and/or individual statements be included.

D. Role of the Board with Regard to Finances

The Board is charged with overseeing the finances of the non-profit organization. It is usually the Board Treasurer's responsibility to perform or oversee that the organization maintains adequate books of account for the organization, maintains a full and accurate account of receipts and disbursements in the financial records, and that all moneys and other valuable effects are deposited to the credit of the organization in such banks of deposit as the Board may designate. The Treasurer may also perform such other duties that may be assigned from time to time by the Board, or as set forth in the bylaws.

E. Role of the Vice-President(s)

The Vice-President(s) presides over meetings of the Board when the President is absent, and performs such other functions that may be assigned by the Board, or as set forth in the organization's bylaws.

F. Conflict of Interest Issues

1. What Is a Conflict?

A conflict of interest arises whenever the interests of the organization are potentially at odds with the business or personal interests of a director or officer. The director or officer involved is known as the "interested" party. A director's or officer's business or personal interests may encompass members of his or her family or other organizations with which the director or officer may be involved. For instance, the Board might be considering engaging in a transaction with an entity with which a director or officer is affiliated in some way. Examples would include the purchase, use, or lease of a piece of property in which a director has a financial interest, or obtaining consulting services offered by a director or a director's family member. A conflict situation is frequently referred to as an "interested party transaction."

Other examples of potential conflicts include:

- An interested party owns, controls, or works for a business that will do work for the non-profit organization.
- An interested party's family member owns property that the non-profit organization will use, rent, or purchase.
- A person who is both a director and an employee of the non-profit organization is an interested party. In such a situation, any decisions made by the Board about personnel and staffing create a potential conflict.

2. Decision-Making When a Conflict Is Apparent

Interested party transactions are not uncommon and are generally acceptable so long as the transaction is in the best interests of the organization and the Board's decision to enter into the transaction is made in an objective and informed manner. When such transactions are not conducted in an appropriate manner, the organization and the directors open themselves to potential lawsuits and public mistrust. Either situation is clearly undesirable. Accordingly, when a conflict of interest does exist, the first step the Board should take to protect itself from even the appearance of impropriety is to require the interested director or officer to more fully disclose his or her interest in the transaction to the Board. Generally, full disclosure consists of making the Board aware of all material facts of the transaction and of the nature of the director's or officer's interest involved. Second, interested directors may not vote on the interested transaction. The Board should excuse the interested director or officer from that portion of the meeting when discussing or voting on the conflicted transaction takes place to ensure that the Board's consideration of the interested party transaction reflects a negotiation at "arm's length." The interested party transaction must be approved by a majority of the disinterested directors, and such approval should be specifically noted in the Board's minutes.

Other actions may also be taken by the Board to ensure objective and informed judgment. For instance, the Board could establish a system of competitive bids to ensure that the organization receives a fair value in the transaction. Any or all of these and other actions together help to insulate the Board from even the appearance of impropriety.

ASSET MANAGEMENT

TYPES OF BOARD MEETINGS AND DIRECTORS' ACTIONS

A. Regular Meetings

1. General

Per the Illinois Condominium Property Act, Board meetings are to take place four times annually. Typically, the Annual meeting occurs directly following one of the four regular Board of Directors Meetings. The procedures for holding and conducting a regular meeting are almost always provided by the bylaws and declarations. Any business of the organization may be discussed and voted upon at such a meeting. The annual meeting is often reserved for the Board to hear annual reports of the officers and committees, for the election of officers and directors, and for the approval of the organization's actions during the prior year.

2. Election of Directors

The procedures for the election of directors are usually set forth in the organization's bylaws and declarations, the Illinois Condominium Property Act and Illinois law, which set forth: whether candidates are to be elected or appointed, who is authorized to call an election, who has the right to vote, the method of voting to be used, and where and when the election will occur. Under Illinois Condominium Property Act, the organization must provide notice which shall be mailed or delivered giving members no less than 10 and no more than 30 days notice of the time, place and purpose of such meeting;. The Board must follow these procedures to properly elect a director.

A director is then appointed or elected to serve some specified term by the other Board members. The directors may all be elected at one time or a smaller slate of directors may come up for election on a yearly basis with each director serving for more than one (1) year.

3. Election / Appointment of Officers

It is the Board's responsibility to elect or appoint the officers of the organization. The procedures for the election or appointment of an officer should also be set forth in the organization's bylaws. The Board must follow these procedures carefully to ensure the proper election or appointment of an officer.

B. Special Meetings

1. General

A special meeting is a separate meeting of the Board held at a time different from its regularly scheduled meetings. These meetings are called so that the Board may consider and vote on important matters that may arise between regular meetings. For instance, the Board may call a special meeting to discuss and approve an important initiative for the organization such as a fundraising opportunity. As might be expected, special meetings are more common for those organizations that have infrequent regular meetings.

Under Illinois law, the bylaws must provide the procedures by which a special meeting may be called and conducted. A special meeting, like a regular meeting, requires that notice be given a certain time in advance of the meeting. At a minimum, the notice should provide the date, time and place of the meeting and also the purpose for which the special meeting is being called.

At special meetings, it is good practice for the Board not to take action on items not listed on the agenda posted for that meeting. The Board can discuss an item that is not on the posted agenda so long as no action is taken. The reason for this practice is two-fold. First, state laws may prohibit action on certain issues unless proper notice is given, such as, in Illinois, the removal of a director. Second, directors who were not able to attend the special meeting may find fault with the process when they find out action was taken on an issue that was not on the agenda. On the other hand, when all directors are present, it may be appropriate to take action on more routine or minor matters that arise at the special meeting.

2. Removal of Directors

The procedures for the removal of a director are generally set forth in the bylaws and declarations, and the Board must follow these procedures carefully to ensure the proper removal of a director. Where no provision is made for the removal of a director in the organization's bylaws and declarations, removal will be governed by Illinois law. Generally, the same group of persons authorized to elect or appoint the director is authorized to remove the director. Further, in removing directors, Illinois law requires at least ten (10) days' notice of the meeting, including the name of the director(s) to be removed.

3. Removal of Officers

The procedures for the removal of an officer are also usually set forth in the bylaws and declarations, and, again, the Board must carefully follow these procedures to ensure the proper removal of an officer. Where no provision is made for the removal of an officer in the organization's bylaws and declarations, removal will be governed by Illinois law, which allows for a simple majority of the Board to remove any officer. However, removal may constitute a breach of the officer's contractual rights where an officer has an employment contract with the organization. In Illinois, removal must be without prejudice to the officer's contractual rights. The Board should consult an attorney before removing any officer.

C. Executive Sessions

1. What Is an Executive Session?

An executive session is a private meeting of the Board to discuss sensitive or confidential issues. Participants are limited to those members of the Board who are not staff or executive directors of the organization. Therefore, executive sessions give those officers of the Board and other Board members an opportunity to discuss matters in private. Because one of the Board's primary responsibilities is to assess the performance of the organization and its management, a Board may often need to discuss sensitive issues or issues related to the performance of the officers or executive director in private. The presence of staff or an executive director may prevent directors from honestly speaking their mind with regards to performance issues. Further, some critical situations may best be assessed with the protection of confidentiality before being brought in front of the entire Board, staff, or outsiders. Open deliberation in these situations may prevent Board members from being totally forth-coming and candid.

Some examples of where the Board may benefit from withdrawing to an executive session to gain information and hold candid discussions amongst themselves include:

- Evaluating appointment, employment or dismissal of an employee or management, and establishing that employees or management compensation (whether salary, bonus or otherwise);

- Investigating concerns or complaints about any staff or reviewing a report from a management consultant;
- Addressing conflicts between two Board members, or investigating alleged improper conduct by a director;
- Planning for major endeavors, such as significant organizational changes
- Discussing litigation when an action against or on behalf of the particular association has been filed and is pending in a court or administrative tribunal, or when the board of managers finds that such an action is probable or imminent;
- Attending to any matters where personal or organizational confidentiality is requested or prudent; or
- to discuss violations of rules and regulations of the association or a unit owner's unpaid share of common expenses
- Discussing financial issues with an auditor.

2. When Should the Board Meet in Executive Session?

Meeting in executive session can result in tension toward and among the members of the Board. A director not invited to participate in an executive session may feel excluded and disregarded. Further, residents may feel that the secrecy of executive sessions indicates bad news for the organization. To avoid these feelings, the Board should develop a straightforward policy regarding executive sessions and openly communicate their function and purpose. Routine executive sessions are also an effective way to avoid tension. If the President includes an executive session on every agenda or on several agendas per year, it may in time be viewed as an accepted portion of traditional Board meetings. In any case, the Board should not feel uncomfortable asking to go into an executive session for part of any meeting if a situation arises where an executive session is warranted.

It is important for executive sessions to remain effective and appropriate. For that reason, such sessions should only be held for their determined purpose, and the Board should not use the private opportunity to further discuss or hide issues which should be presented openly to the entire Board. When the agreed issue has been adequately addressed, the executive session should conclude, and the normal Board meeting should resume.

3. Managing Minutes of Executive Sessions

The minutes of a Board meeting should indicate that the Board met in executive session and report the topic of the discussion. However, the specifics of the executive session may remain confidential. It is advisable to keep a written record of the executive session proceedings. These minutes should include the date and place of the meeting, the names of the persons present, any actions taken, and any abstentions from voting if voting took place. However, this information may appear in a set of confidential-to-the-Board minutes to be distributed only to those directors who participated in the executive session.

After the executive session is concluded, any actions, specific conclusions or recommendations that resulted from the session should be communicated to the entire Board, and if appropriate, to the officers, executive director and staff. Further, this information should be reported in the public minutes of the Board meeting, however it may be phrased in a way that is sensitive to the fact that the minutes are public documents.

D. Taking Action at a Meeting

1. Requirement of a Quorum

In order for the Board to take any action, there must be a quorum of directors present. A quorum is the minimum number, as set forth in the bylaws and declarations, of directors present for the organization to take action officially. The usual rule is that a majority of directors then in office constitutes a quorum. A majority is fifty percent (50%) of the Board plus one (1). For example, if there are ten (10) directors on the Board, the Board meeting will meet the quorum requirement if six (6) directors are present.

2. What Is the Difference Between Resolutions and Motions?

Motions are the formal way by which a Board governs discussions, approves or adopts agenda items, and proposes to take action within and among the Board, whereas resolutions are the formal statement and documentation of an action taken by the Board and/or the organization, such as the approval or adoption of a program or a contract. For instance, a resolution can be an authorization of a prior act of the organization, an authorization for the officers to take an action, or an instruction to the officers that they must take an action. In other words, the Board may have a discussion about an agenda item, a director may make a motion to pass a resolution for some action on that agenda item, and the Board may pass a resolution authorizing an action.

F. Role of Agendas

An agenda is an order of business or plan in which the items of business to be considered at a Board meeting are taken up. Agendas help the Board conduct business in an orderly and efficient manner. To help facilitate an effective meeting, agendas should be distributed to directors for review prior to each meeting, along with any other documentation that will be relevant at the meeting, such as committee reports.

The President should have the directors address the items on the Board's agenda for that meeting from the first item to the last, in part because some items may require immediate Board action that meeting. For example, there may be an agenda item to approve a contract. Other items on the agenda may not require action by the Board, such as an agenda item requiring only that the directors listen to an oral report (e.g. the Treasurer reporting on the financial statements). However, the order of items on the agenda can be switched, if necessary, for example, to accommodate a guest speaker's schedule.

UNDERSTANDING BOARD DISCUSSIONS AND MAKING MOTIONS

A. Meeting Style - Formal or Informal?

As with most business meetings for many small organizations, Board meetings for small non-profit organizations generally operate informally. Directors frequently kick around an idea, get everyone's input, and then try to reach a consensus on how to handle a particular matter. Informal proceedings are perfectly acceptable most of the time. The key to effective yet informal meetings is to make sure everyone is encouraged to participate. If someone has not contributed to the conversation, the President could ask that person what he or she thinks about the issue. Otherwise, a couple of people may do all of the talking, and then those same people assume that what they have expressed represents the views of everyone.

Here are two important ideas to keep in mind in determining how formal you may want to be, or need to be, in running a meeting of the Board:

1. Make sure that any final actions taken are read aloud to the group and then recorded in the minutes, even if the directors are unanimous in their decision. For example, if the Board agreed that Mary should look into having the organization create a standard for the exterior lighting, then the President should say aloud something like: "So, are we all agreed that Mary should find out about exterior lighting and get back to us?" In this case, the Board has not really taken any action that authorizes the organization to do something. Instead, the Board has simply asked Mary to do some research and report back. Having heard this, a director may say: "You know, we're not going to meet again for three months and many people want to change their lights now. I move that Mary be authorized, in her discretion, to work with management and the President and, if possible, submit an interim lighting standard that both Mary and the President agree upon on behalf of the organization." Notice that this motion takes the discussion in a different direction, and *does* propose that the Board take action. This motion, whether passed by unanimous consent or by a majority vote of the directors, must be recorded in the minutes for the meeting.
2. Some situations call for proceedings that are formal. Here are some examples:
 - Electing or removing directors or officers of the Board.
 - Where you need a resolution to give to another party as proof of authorization to take a particular action - for example, to authorize the organization to open a bank account, purchase real property or to dispose of any asset of the organization.
 - Adopting or modifying the annual budget.
 - Personnel matters - i.e., hiring or firing decisions, changing employee benefits, etc.
 - Any time a subject is controversial - using some form of parliamentary-type procedure helps to ensure that the will of the majority viewpoint controls, while at the same time helping to ensure that all viewpoints are heard and treated fairly.
 - Where time is limited - for example, if there are numerous items on the agenda that actually require Board action and several people want to speak about one or more of the matters. In this case, the President may want to set time limits for discussing individual items. Any Board member always has the right to object to setting those limits, thus bringing the issue of time limits to the Board for a vote.

B. What Are Motions?

1. *A Motion Is a Proposal for the Board to Take Action*

A motion is a proposal that the Board take a particular action regarding the current agenda item at a meeting (or a particular action regarding an issue closely related to the agenda item currently being discussed at the meeting). There can be more than one motion for any item on the agenda, and if there is an issue that is not on the agenda, then generally a director must first move to put the item on the agenda (and that motion must be passed) before the Board can discuss and take action on that issue at the meeting.

Appendix A of this handbook contains an abridged overview of Parliamentary Procedure and how they are used in a meeting. Rules of procedure, or "parliamentary procedures," help people get things done in meetings. They also help ensure that all participants are treated fairly and have a chance to be heard, while allowing for the meeting to proceed in an orderly and timely manner. The best rules of procedure for a specific type of meeting are rules that have been tailored to that type of meeting. This Handbook very briefly provides sample procedures that may be used in Board meetings of small non-profit organizations. However, before relying on any of the procedures and rules in the Handbook, you should check your organization's bylaws. Those bylaws may already establish specific rules of procedure according to which you must run your Board meetings. If any of these conflict, then you must amend your bylaws before using the procedures in this Handbook. Further, some of the procedures may be required by Illinois laws that apply to Associations. Before you make any changes to your bylaws, you should consult an attorney. In using rules of procedure, try to apply them with common sense. Too strict adherence (except to rules required by law) can make things harder, not easier.

2. Any Voting Director of the Board Can Make a Motion

A motion may be made by any voting director of the Board, even one who is not in favor of the motion. When a director makes a motion, it means that the director supports a discussion about and/or a vote on the motion, not necessarily that the director is in favor of (or will vote to pass) the motion.

3. How to Make and Second a Motion

A director makes a motion by saying something like: "I move to" or "I move that". As long as the directors are clear about what is being discussed and what action the director is suggesting, these rules do not require that a director use any specific wording to make a motion. However, the President can ask a director to clarify his or her motion. Also, any director can move to have a motion put in writing. At any time during discussion of an item, a director may make a motion on the item currently being discussed. Some motions, in order to be considered for debate, require the support of one person in addition to the person who made the motion (the "movant"). This requirement is called a "second," and serves to ensure that only those matters/motions that have the support of multiple directors are debated at the meeting. If a motion requires a second, another director seconds the motion by saying something like: "I second the motion," or "Second." When a director seconds a motion, it means that the director supports discussion about or a vote on the motion, not necessarily that the director is in favor of (or will vote to pass) the motion.

4. Most Motions Are Debatable

Most motions are debatable, that is, all directors have the right to state their opinion about the motion. A motion that is not debatable goes straight to a vote or action without discussion.

5. How to Debate a Motion

An open discussion is basically an open conversation among the directors, with the directors having the right to talk about and discuss the current agenda item for as long as desired. We suggest that open discussion be the general rule for your Board meetings. The President may decide on his or her own, or any director may move, to limit discussion of a particular item to a specific amount of time or to a particular number of speakers in favor of and opposed to the motion. A limited discussion is most useful for: (a) items that are so controversial that they are best discussed in a tightly controlled format; or (b) items that have already been fully discussed but the directors want a last chance to quickly state their positions before a vote is taken. The directors may override the President's decision by passing a motion to either limit or extend discussion. Some organizations may use a more formal mode of conducting business, by alternately recognizing speakers in favor of the motion and those opposed to the motion. Regardless, in all discussions, whether formal or informal, the President should limit discussion to the subject matter of the item. If a director brings up matters unrelated to the motion being considered, the President on his or her own initiative, or by a director requesting a "point of order" from the President, may rule the director out of order, effectively limiting discussion to the motion under consideration. Discussion ends when the directors pass a motion taking action on an item in a way that addresses it conclusively for that meeting.

6. Amending Motions

If a more formal approach is adopted by your Board, you should be aware that while a motion is being discussed, a director may move to amend the motion itself. Appendix D discusses which motions are amendable as well as sets forth the procedures for a motion to amend. However, amendments must be germane to the subject presented in the motion that is currently being discussed. The Chair/President makes the determination whether an amendment is sufficiently related to the subject of the motion to be allowed.

C. Approving or Disapproving Motions

1. Without a Vote

Certain actions may be taken or a motion may be passed by common assent of the directors. If the President thinks there is no opposition, he or she may say something like: "If there is no objection, the motion shall be passed by the consent of the directors." The directors then show agreement by remaining silent. If anyone objects a vote must be taken. This is helpful when there is a non-controversial or routine matter before the Board, such as a motion to approve the minutes of the prior Board meeting. In such case, the matter can be handled quickly and fairly by posing two simple questions to the Board: (1) "Are there any corrections or additions to the report/minutes?" [if so, make the changes agreed upon], then: (2) "If there are no objections [pause to allow possible comments or objections], the report/minutes is/are approved. "

2. How to Vote

With respect to voting on a motion, the President calls for the directors to vote "yes," "no," or "abstain." A vote can be done by voice, show of hands, speaker phone (as long as both sides can hear and speak to each other), or roll call.

3. Who Can Vote?

Only the directors (not those officers who do not serve as directors) may vote at a board of directors meeting. Every director, including the President, may vote, except where conflict of interest rules require a director to abstain from the vote. Sometimes the bylaws may provide that the President votes only to break a tie vote. As a general rule, a director with a conflict

should not vote on an interested party transaction. Thus, a vote will pass only if a majority (or other required number) of the disinterested directors approve of the motion.

4. When Does a Motion Pass or Fail?

Voting is carefully controlled by Illinois law and the bylaws of the organization. For example, Illinois law requires at least a majority of present voting members (excluding abstentions) in a quorum to pass any resolution, but allows for the bylaws to require a higher, super-majority vote. There are two basic ways to calculate a majority vote. First, the number of votes that constitute a majority may be determined by calculating the majority of directors serving on the Board, not the majority of directors present at any particular meeting. However, the second and more common method is that any vote over fifty percent (50%) of the directors who are present at the meeting constitutes a majority vote - assuming, of course, a quorum is present.

The more common method works as follows: If there are ten (10) directors on the Board, the Board meeting will meet the quorum requirement if six (6) directors are present. For a motion to pass, at least four (4) for the six (6) directors present at the meeting must vote in favor of the motion. If the motion receives three (3) votes or less, then the motion fails.

Another example: If the Board consists of three (3) directors, and a motion requires a majority vote to pass, then if two (2) or more directors vote in favor of the motion, it passes. If fewer than two (2) directors vote in favor of the motion, it fails. A vote to "abstain," while counted towards the quorum, reduces the number of votes needed to constitute a majority. For instance, where six (6) directors are present and there are three (3) votes to pass, two (2) to not pass and one (1) to abstain, the motion passes. Note how, if that abstaining director instead had voted to not pass, the motion would have failed with only three (3) "pass" voters, lacking a majority. Thus, the one abstention shifted the majority requirement from "four out of six" to "three out of five."

Finally, a super-majority may be required for certain actions, such as changing the articles of incorporation or bylaw and declarations. The general rule is that two-thirds (2/3) of those directors either present at the meeting or serving on the Board constitutes a super-majority. The Board should refer to Illinois law and the organization's bylaws and declarations for rules requiring super-majority voting. Also note that certain actions such as changing the Association's Declaration may require a vote of all residents and not just the Board of Directors. Again, one should consult the Associations' bylaws and declarations and Illinois law to determine the voting requirements of all actions.

5. More Information on Voting

It is very important to be specific and clear about what the directors are voting on. Accordingly, it may be a good idea for certain motions to contain very specific wording, and even to be put in writing for all the directors to read before voting. The President should restate the motion, including any amendments, before a vote is taken.

D. Announcing the Result of the Motion

The President should announce the result and the effect of the motion. Additionally, the Secretary should be sure to record the result of each vote. For example, after the Board votes to pass a motion to table the second item on the Board's agenda for that meeting, the President should say something like "The motion to table item number 2 on the agenda has passed. That item is tabled. The Board will now discuss item number 3 on the agenda." When an item is "tabled," it means that the item will no longer be addressed and the meeting will move on. An item that has been tabled can be addressed again at the same meeting only after

a motion to take up the tabled item has been passed. The Secretary should record the result of the motion in the minutes.

MMK
ASSET MANAGEMENT

Appendix A

Parliamentary Procedure Abridged Overview

What Is Parliamentary Procedure?

It is a set of rules for conduct at meetings that allows everyone to be heard and to make decisions without confusion.

Why is Parliamentary Procedure Important?

Because it's a time tested method of conducting business at meetings and public gatherings. It can be adapted to fit the needs of any organization. Today, Robert's Rules of Order newly revised is the basic handbook of operation for most clubs, organizations and other groups.

Organizations using parliamentary procedure usually follow a fixed order of business. Below is a typical example:

1. Call to order.
2. Roll call of members present.
3. Reading of minutes of last meeting.
4. Officer's reports.
5. Committee reports.
6. Special orders --- Important business previously designated for consideration at this meeting.
7. Unfinished business.
8. New business.
9. Announcements.
10. Adjournment.

The method used by members to express themselves is in the form of moving motions. A motion is a proposal that the entire membership take action or a stand on an issue. Individual members can:

1. Call to order.
2. Second motions.
3. Debate motions.
4. Vote on motions.

There are four Basic Types of Motions:

1. **Main Motions:** The purpose of a main motion is to introduce items to the membership for their consideration. They cannot be made when any other motion is on the floor, and yield to privileged, subsidiary, and incidental motions.
2. **Subsidiary Motions:** Their purpose is to change or affect how a main motion is handled, and is voted on before a main motion.
3. **Privileged Motions:** Their purpose is to bring up items that are urgent about special or important matters unrelated to pending business.
4. **Incidental Motions:** Their purpose is to provide a means of questioning procedure concerning other motions and must be considered before the other motion.

How are Motions Presented?

1. Obtaining the floor
 - a. Wait until the last speaker has finished.
 - b. Address the President by saying, "Mr. President."
 - c. Wait until the President recognizes you.
2. Make Your Motion
 - a. Speak in a clear and concise manner.
 - b. Always state a motion affirmatively. Say, "I move that we ..." rather than, "I move that we do not ...".
 - c. Avoid personalities and stay on your subject.
3. Wait for Someone to Second Your Motion
4. Another member will second your motion or the President will call for a second.
5. If there is no second to your motion it is lost.
6. The President States Your Motion
 - a. The President will say, "it has been moved and seconded that we ..." Thus placing your motion before the membership for consideration and action.
 - b. The membership then either debates your motion, or may move directly to a vote.
 - c. Once your motion is presented to the membership by the President it becomes "assembly property", and cannot be changed by you without the consent of the members.
7. Expanding on Your Motion
 - a. The time for you to speak in favor of your motion is at this point in time, rather than at the time you present it.
 - b. The mover is always allowed to speak first.
 - c. All comments and debate must be directed to the president.
 - d. Keep to the time limit for speaking if one has been established.
 - e. The mover may speak again only after other speakers are finished, unless called upon by the President.
8. Putting the Question to the Membership
 - a. The President asks, "Are you ready to vote on the question?"
 - b. If there is no more discussion, a vote is taken.
 - c. On a motion to move the previous question may be adapted.

Voting on a Motion:

The method of vote on any motion depends on the situation and the by-laws of policy of your organization. There are five methods used to vote by most organizations, they are:

1. By Voice -- The Chairman asks those in favor to say, "aye", those opposed to say "no". Any member may move for a exact count.
2. By Roll Call -- Each member answers "yes" or "no" as his name is called. This method is used when a record of each person's vote is required.
3. By General Consent -- When a motion is not likely to be opposed, the Chairman says, "if there is no objection ..." The membership shows agreement by their silence, however if one member says, "I object," the item must be put to a vote.
4. By Division -- This is a slight verification of a voice vote. It does not require a count unless the chairman so desires. Members raise their hands or stand.
5. By Ballot -- Members write their vote on a slip of paper, this method is used when secrecy is desired.

There are two other motions that are commonly used that relate to voting.

1. Motion to Table -- This motion is often used in the attempt to "kill" a motion. The option is always present, however, to "take from the table", for reconsideration by the membership.
2. Motion to Postpone Indefinitely -- This is often used as a means of parliamentary strategy and allows opponents of motion to test their strength without an actual vote being taken. Also, debate is once again open on the main motion.

Parliamentary Procedure is the best way to get things done at your meetings. But, it will only work if you use it properly.

1. Allow motions that are in order.
2. Have members obtain the floor properly.
3. Speak clearly and concisely.
4. Obey the rules of debate.

Most importantly, *BE COURTEOUS.*

