



**MANAGEMENT FIRM
CODE OF PROFESSIONAL ETHICS
AND
STANDARDS OF PRACTICE**

CERTIFICATION

The California Association of Community Managers, Inc.sm (CACM) certifies that this Management Firm Code of Professional Ethics and Standards of Practice has been adopted by the Board of Directors of CACM at a duly constituted meeting of the Board on July 28, 2010, September 14, 2011 and February 1, 2012.

Dated: July 28, 2010

California Association of Community Managers, Inc.
A California Non-Profit Corporation

By: Karen D. Conlon, CCAM®
President & CEO

Amended: September 14, 2011
Amended: February 1, 2012

CALIFORNIA ASSOCIATION OF COMMUNITY MANAGERS, INC.

MANAGEMENT FIRM
CODE OF PROFESSIONAL ETHICS
AND
STANDARDS OF PRACTICE

| | PAGE |
|--|------|
| RECITALS..... | 5 |
| CODE | 6 |
| 1.00 General Standards..... | 6 |
| Professional Competence | 6 |
| Due Professional Care..... | 6 |
| Standard of Practice 1-01: Education | 6 |
| a. New Practices..... | 6 |
| b. Continuing Education | 6 |
| c. Board Education | 6 |
| Standard of Practice 1-02: Use of MFC and ACMF Designation | 7 |
| Standard of Practice 1-03: Member Staff Support | 7 |
| Standard of Practice 1-04: Compliance | 7 |
| a. Statutes..... | 7 |
| b. Code of Ethics and Standards of Practice | 7 |
| c. Client Governing Documents | 7 |
| 2.00 Integrity and Objectivity..... | 7 |
| 3.00 Technical Standards..... | 8 |
| Standard of Practice 3-01: Inspections | 8 |
| Standard of Practice 3-02: Maintenance | 8 |
| a. Reserve Study..... | 8 |
| b. Preventive Maintenance Program | 8 |

TABLE OF CONTENTS (continued)

| | |
|--|----|
| Standard of Practice 3-03: Legal | 8 |
| a. Practice of Law | 8 |
| b. Retention of Legal Counsel | 8 |
| c. Legal Review | 8 |
| d. Injury Prevention Program..... | 9 |
| e. Working Knowledge of Governing Documents..... | 9 |
| f. Published Rules | 9 |
| Standard of Practice 3-04: Accurate Financial Records | 9 |
| Standard of Practice 3-05: Expenditure of Funds | 9 |
| Standard of Practice 3-06: Commingling and Security of Funds | 9 |
| Standard of Practice 3-07: Budgetary & Finance | 9 |
| a. Fiduciary Responsibility | 9 |
| b. Compliance with Statutes and Governing Documents | 10 |
| c. Services of a Certified Public Accountant..... | 10 |
| d. Tax Returns | 10 |
| e. Availability of Records | 10 |
| Standard of Practice 3-08: Reserve Investment..... | 10 |
| a. Investment Recommendations; Security | 10 |
| b. Qualified Investment Advice..... | 10 |
| Standard of Practice 3-09: Insurance | 11 |
| a. Advice of Need | 11 |
| b. Professional Advice..... | 11 |
| c. Property Casualty Coverage | 11 |
| d. General Liability | 11 |
| e. Directors and Officers Liability | 11 |
| f. Fidelity Bond/Insurance..... | 11 |
| g. Workers Compensation | 11 |
| h. Additional Insured..... | 11 |

TABLE OF CONTENTS (cont.)

| | |
|---|-----------|
| Standard of Practice 3-10: Communications | 11 |
| a. Record of Membership | 11 |
| b. Regular Communications | 11 |
| c. Dissemination of Required Information..... | 12 |
| Standard of Practice 3-11: Transfer of Property of Client | 12 |
| a. Delivery of Client Records..... | 12 |
| b. Property of Client | 12 |
| c. Member and Client contracts..... | 12 |
| 4.00 Professional Courtesy | 12 |
| 5.00 Conflict of Interest..... | 13 |
| Standard of Practice 5-01: Non-management Services..... | 13 |
| a. Management Contract Requirement | 13 |
| b. Use of Sealed Bid Process..... | 13 |
| 6.00 Gratuities | 14 |
| Standard of Practice 6-01: Fees and Commissions | 14 |
| a. Prohibition of Cash | 14 |
| b. Disclosure of Gratuity | 14 |
| c. Non Solicitation of Gratuity | 14 |
| d. Acceptable Items Received..... | 14 |
| 7.00 Use of Client Funds | 14 |
| 8.00 Limitation on Practice | 15 |
| 9.00 Enforcement | 15 |
| AMENDMENT | 16 |

CALIFORNIA ASSOCIATION OF COMMUNITY MANAGERS, INC.

MANAGEMENT FIRM CODE OF PROFESSIONAL ETHICS AND STANDARDS OF PRACTICE

RECITALS

- A. In order to promote and enhance a high level of professional conduct among its Management Firm Council Members ("FIRM"), the California Association of Community Managers, Inc. ("CACM") hereby adopts the following Management Firm Code of Professional Ethics and Standards of Practice.
- B. The Management Firm Code of Professional Ethics and Standards of Practice have been adopted by the Board of Directors of CACM as the official rules of conduct which apply to all FIRMS, while performing services related to the practice of the management of community associations (a Common Interest Development ["CID"] as defined in Title 6 of Part 4 of Division 2 of the California Civil Code commencing at Section 1350), including complete association management, financial services, administrative services and/or independent consulting for a FIRM client.
- C. A FIRM engaged in the practice of community association management and their employees must observe all rules of conduct incorporated in the Management Firm Code of Professional Ethics and Standards of Practice.
- D. A FIRM shall not permit any employee or anyone under the FIRM's supervision, to carry out on the FIRM's behalf, either with or without compensation, anything which, if carried out by the FIRM, would place the FIRM in violation of the rules of conduct under the Management Firm Code of Professional Ethics and Standards of Practice. Where the subordinate of a FIRM violates the Management Firm Code of Professional Ethics and Standards of Practice while performing functions for the FIRM's client and under the general supervision of the FIRM, the FIRM shall be accountable for the violation as if the violation was committed by the FIRM.
- E. All Rules of Ethics and Practice contained herein shall be subordinate to all governmental regulations.
- F. Any word of general usage contained herein shall be interpreted in light of the prevailing definition as contained in the then current edition of Webster's Unabridged Dictionary.

CODE

1.00 General Standards

Loyalty, Fidelity and Integrity - The FIRM and its employees shall act with loyalty, fidelity and integrity in all aspects of the FIRM's relationship with the client of FIRM and in all aspects of representing the client to third parties.

The FIRM and its employees shall be honest and forthright in all of their professional dealings. The FIRM and its employees shall not misrepresent either by affirmative statement or material omission, the FIRM's qualifications, experience or capabilities in the field of community association management.

The FIRM and its employees shall honor all client confidences and shall treat the business affairs and records of the client as confidential unless directed or authorized otherwise by competent authority. The FIRM and its employees shall refuse to make available to business vendors the names, addresses and telephone numbers of the FIRM's client community association members or board of directors, without the prior consent of a majority of the board of directors of the community association.

Professional Competence - The FIRM shall accept only those engagements which the FIRM can reasonably expect to perform with professional competence.

Due professional care - The FIRM shall exercise due professional care in the performance of duties.

- *Standard of Practice 1-01: Education*
 - a. The FIRM and its employees shall keep informed of new developments in community association management, including but not limited to, legal and accounting principles applicable to community associations.
 - b. The FIRM and its employees shall seek continuing education in community association management through attendance at professional courses of CACM, CAI, IREM, BOMA and other similar professional associations related to the practice of management of community associations.
 - c. The FIRM and its employees shall encourage officers, board members, and committee chairs of clients to participate in courses and seminars which will improve their abilities to serve community association board members.

- *Standard of Practice 1-02: Use of a Designation and/or Logo.* A FIRM may only use the proper logo of a Management Firm Council (MFC) member. Only an Accredited Community Management Firm (ACMF) may refer to itself as “accredited” and use the designation and/or logo denoting such accreditation.
- *Standard of Practice 1-03: FIRM Staff Support.* The FIRM shall have sufficient qualified staff and administrative personnel, or a formal arrangement with necessary consultants, to ensure the capable handling of the client's interests.
- *Standard of Practice 1-04: Compliance.*
 - a. The FIRM and its employees shall know, understand and have working knowledge of the provisions of:
 - 1) California Civil Code, Division 2, Part 4, Title 6 - Common Interest Developments, commencing at Section 1350,
 - 2) California Corporations Code, Title 1, Division 1 - General Corporation Law, commencing at Section 100, and Division 2, Part 3 - Non-profit Mutual Benefit Corporations, commencing at Section 7310, and
 - 3) Business and Professions Code, commencing at Section 11500, et seq.
 - 4) Other applicable codes, statutes, laws and regulations.
 - b. The FIRM shall comply with the Management Firm Code of Professional Ethics and Standards of Practice of CACM.
 - c. The Association retains the primary responsibility for enforcement of provisions of the Association’s governing documents and contractual agreements. The FIRM and its employees shall know, understand and have a working knowledge of all lawful provisions of the client's governing documents.
 - d. The FIRM shall comply with all lawful provisions of written contracts in which the FIRM is a party.

2.00 Integrity and Objectivity

The FIRM shall not knowingly misrepresent facts in order to benefit the FIRM, or any affiliate, including family relations, of the FIRM. All representations made to a community association which has engaged the FIRM must be made with the best interest of the community association in mind.

3.00 Technical Standards

The FIRM shall comply with all standards that are currently in force or may from time to time be adopted and promulgated by the California Association of Community Managers.

- *Standard of Practice 3-01: Inspection.* In accordance with the management agreement, a FIRM shall make, or cause to be made, regular physical inspections of the common property and assets of its clients. Such inspections shall be defined as “reasonable inspections” such as those made by a reasonably prudent person exercising ordinary care, not an “expert inspection” such as one made by a licensed architect, engineer or construction specialist.

- *Standard of Practice 3-02: Maintenance.*
 - a. The FIRM and its employees shall recommend that a reserve study be prepared in a professional manner and reviewed and updated in accordance with California State law.

 - b. The FIRM and its employees shall recommend that the client shall establish and implement a preventive maintenance program.

- *Standard of Practice 3-03: Legal.*
 - a. The FIRM and its employees shall not engage in the unlicensed practice of law. This provision, however, does not prevent the FIRM from rendering a business judgment nor does this provision prevent the FIRM from appearing on behalf of a client where authorized to do so by law.

 - b. The FIRM and its employees shall advise clients when legal counsel should be retained and assist the client in retaining qualified counsel.

 - c. The FIRM and its employees shall recommend that a legal review, where appropriate, by an attorney knowledgeable in community association law be considered for all legal issues, including but not limited to, major contracts, association rules, enforcement procedures and association documents.

- d. The FIRM and its employees shall recommend that, **if applicable**, the community association implement an Injury Prevention Program in compliance with CAL-OSHA requirements and standards pursuant to, California Labor Code Section 6401.7.
 - e. The FIRM and its employees shall become familiar with and develop a working knowledge of the community association's governing documents.
 - f. The FIRM and its employees shall recommend that written rules be established and published to the community association membership and the publication and implementation of a consistent enforcement policy based on federal, state and local laws and regulations, the property's covenants, conditions and restrictions; and the association's articles of incorporation and by-laws. The FIRM and its employees shall make all reasonable effort to assure that the adopted policies are in full compliance with these documents.
- *Standard Of Practice 3-04: Accurate Financial Records.* A FIRM and its employees shall, at all times, cause to be kept and maintained current and accurate records of all financial transactions, properly marked for identification, concerning the business entity and assets managed for a client, and cause to be prepared financial statements in sufficient detail to allow the client's Board and auditor to determine the status of the association's accounts and financial operations. Such records shall be made available for inspection by the client in accordance with the governing documents and applicable law.
 - *Standard of Practice 3-05: Expenditure of Funds.* A FIRM and its employees shall advise and, when authorized, shall endeavor to expend client's funds to achieve the greatest benefit for the client.
 - *Standard of Practice 3-06: Commingling and Security of Funds.* Except as provided for in California Civil Code Section 1363.2, the FIRM shall not commingle funds of any of its clients with each other or with funds **of the FIRM**. The FIRM and its employees shall deposit all such funds in an FDIC insured financial institution as required by the governing documents and California law.
 - *Standard of Practice 3-07: Budgetary & Finance*
 - a. The FIRM and its employees shall exercise the highest standard of care on behalf of the client in handling the client's financial affairs and shall put the client's interests above their own in handling the client's financial affairs.

- b. The FIRM and its employees shall recommend that the community association comply with the fiscal requirements of California laws, in addition to the community association's legal documents.
 - c. The FIRM and its employees shall advise clients when the services of a Certified Public Accountant should be retained and assist clients in retaining qualified accounting and tax advice.
 - d. The FIRM and its employees shall recommend that the community association file, in a timely manner, applicable quarterly and fiscal year-end tax returns and reports and make required periodic deposits with the IRS, the California Franchise Tax Board, and with other applicable federal, state, and local agencies.
 - e. The FIRM and its employees shall make financial records available for inspection and copying by an authorized representative of the community association upon reasonable notice during regular business hours.
- *Standard of Practice 3-08: Reserve Investment.*
 - a. The FIRM and its employees shall recommend that the community association invest association funds in accordance with the association's legal documents and recommend that the primary objectives in investing should be safety first, liquidity second, then yield and then other considerations. Recommended investments should be limited to deposit accounts insured by the FDIC, or U.S. Treasury Securities or other full faith and credit obligations of the Federal Government or money funds which invest exclusively in these instruments and which are FDIC or SIPC insured.
 - b. The FIRM and its employees shall, unless qualified to do so by education or professional experience, refrain from giving investment advice to community association clients and, when such advice is requested, recommend qualified investment professionals.
- *Standard of Practice 3-09: Insurance*
 - a. The FIRM and its employees shall advise the client of the need to obtain insurance.

- b. The FIRM and its employees shall recommend that the community association obtain professional advice on insurance coverage consistent with the requirements established in the community association governing documents, and ensure annual review of those requirements and coverage.
 - c. The FIRM and its employees shall recommend that the community association maintain appropriate property casualty insurance.
 - d. The FIRM and its employees shall recommend that the community association maintain appropriate liability insurance.
 - e. The FIRM and its employees shall recommend that the community association acquire an appropriate level of Directors and Officers liability insurance.
 - f. The FIRM and its employees shall recommend that the Board of Directors provide adequate fidelity bond/insurance coverage extending to the board and community association employees.
 - g. The FIRM and its employees shall recommend that Workers' Compensation insurance be part of the overall insurance package whether or not the community association has regular employees.
 - h. The FIRM and its employees shall recommend that the management entity be named as an additional insured under **all applicable** association insurance contracts.
- *Standard of Practice 3-10: Communications.*
 - a. The FIRM and its employees shall maintain a Record of membership including the names and addresses of the community association members as provided by the membership.
 - b. The FIRM and its employees shall recommend that the community association have regular communications with the membership.
 - c. The FIRM and its employees shall assist the community association in dissemination of information as defined in the community association's governing documents, and as required by the Civil and Corporations Codes of the State of California.
 - *Standard of Practice 3-11: Transfer of Property to Client.*

- a. At the conclusion of any engagement for a client, upon receipt of a written request from the client, the FIRM and its employees shall deliver the property of the client to the person designated by the client. FIRMs, as agents, shall honor a request from their principals for the delivery of these files. Property of the client shall be delivered as instructed as soon as reasonably practical after receipt of the client's written request to do so, and it shall be done regardless of any dispute over termination or fees.
- b. As used herein, "property of the client" shall mean the physical files ("hard files") maintained by the FIRM in the ordinary course of business for the client and which are necessary for the orderly management of the client. "Property of the client" does not include proprietary or other trade secret information developed by the FIRM for the FIRM's own use in the FIRM's management business and also does not include working papers or electronic data developed or created by the FIRM. The hard files include, at a minimum, all items presented to an association Board of Directors for their consideration.
- c. In their contracts with clients, FIRM may provide for a different definition of "hard files" or a longer period within which the hard files must be delivered other than those stated above, as long as that time period and definitions are reasonable.

4.00 Professional Courtesy

The FIRM and its employees shall exhibit professional courtesy to all community association management professionals. The FIRM and its employees shall be fair in making representations.

The FIRM shall assist other FIRMs in achieving the Standards of Practice as set forth herein.

The FIRM and its employees shall not make false, fraudulent, misleading or deceptive statements to a client or prospective client in the marketing of property management services or the solicitation of business.

All FIRMS and their employees are encouraged to promote fair and open competition and shall avoid unlawful restraints of trade.

5.00 Conflict of Interest

FIRM and its employees shall avoid any real or apparent conflicts of interest with their clients. In the event of a real or apparent conflict of interest, the FIRM and its employees shall promptly disclose all pertinent information regarding the conflict to the client and allow the client to make an informed decision as to whether to continue the relationship on the then existing basis or to make an appropriate change in the relationship to accommodate the conflict. The decision on how to deal with a real conflict of interest shall rest with the client and not with the FIRM or its employees.

Recommendations to a client of vendors, suppliers or contractors that have any financial or other than independent third party relationship to the FIRM or its employees, or a family relation or employee of the FIRM or its employees, must be disclosed to the client by the FIRM or its employees either prior to or at the time the recommendation is made.

- *Standard of Practice 5-01: Non-management Services.* The FIRM and its employees may provide goods or services to clients, other than community association management services, provided there is full written disclosure on no less than an annual basis as to all aspects that may influence the use of these services. The disclosure shall specifically include whether any Compensation or fees will be paid directly to the FIRM or its employee as a result of contracting for these services, prior to the award of any contract to provide such goods or services.
 - a. Where the management contract provides for specific charges or a specific mark-up for goods or services, the requirement for disclosure is met.
 - b. Where a contract for goods or services is to be competitively bid and the FIRM or an allied, related and/or affiliated company of the FIRM is a bidder, such bid shall be based on precise written specifications provided to each bidder. The FIRM and its employees shall employ a sealed bid process wherein all bids are received sealed and are opened in the presence of the client board or its designated representative other than the FIRM or employee of the FIRM.

6.00 Gratuities

It shall be the policy of the California Association of Community Managers to discourage the acceptance by FIRMS or their employees of gifts, entertainment, or other favors from existing or prospective clients, vendors or suppliers who act on behalf of the FIRM's clients, when such acceptance can unduly influence the FIRM or employee.

No FIRM, or employee of a FIRM, may accept any unearned fees or other forms of remuneration that may actually be, or appear to be, a conflict of interest.

- *Standard of Practice 6-01: Fees and Commissions.* The FIRM and its employees are prohibited from receiving undisclosed referral fees, deferred compensation, commissions or similar gratuities in cash or in kind for recommending to or purchasing material or services on behalf of a client.
 - a. The acceptance of any gratuity in cash (i.e. banknote or coin) is prohibited.
 - b. The acceptance of any gratuity by gift certificate, or in kind, including but not limited to, meals, entertainment, housing, transportation, professional services or, of any other nature, having a cumulative value in excess of three hundred dollars (\$300.00) from any one person or business in any twelve (12) month period shall be fully disclosed to all clients which have procured services from the providing person or business and to all clients who contemplate the procurement of such services.
 - c. Under no circumstances shall a FIRM or an employee of any FIRM solicit any gratuity, in cash or in kind, on their own behalf or on behalf of another FIRM(s) or employee(s), regardless of value or type from any one person or business.
 - d. A gift certificate, gift card, prize, cash prize or other similar items received from a drawing at an event, trade show, or similar gathering, is acceptable as long as the FIRM can reasonably determine there is no undue influence of the FIRM by accepting this type of item from a random drawing.

7.00 Use of Client Funds

The FIRM and its employees shall not misuse any funds being held for a client under a fiduciary relationship.

8.00 Limitations of Practice

The FIRM, or an employee of FIRM who has contracted with a client to perform community association management services, and who is also engaged in the practice of another profession, may perform other professional services provided there is full disclosure to the client.

9.00 Enforcement

Each FIRM, as a condition of membership and/or certification in the California Association of Community Managers, agrees to be bound by and to abide by this Management Firm Code of Professional Ethics and Standards of Practice and by duly adopted amendments hereto, and to voluntarily participate in compliance, disciplinary proceedings, discipline and/or, binding arbitration as required by the Professional Standards Committee or Appeals Committee.

The FIRM subject to disciplinary action may, after hearing, be subject to censure, suspension or termination of membership or membership status.

AMENDMENT

This Management Firm Code of Professional Ethics and Standards of Practice supersedes and replaces all prior versions of this document and shall have prospective as well as retroactive effect from the inception date of CACM to the date of subsequent modification or termination. This Management Firm Code of Professional Ethics and Standards of Practice may be amended from time to time by vote of a majority of the Board of Directors cast at a duly constituted meeting.

The signatory below agrees to abide by the Management Firm Code of Professional Ethics and Standards of Practice of the California Association of Community Managers as stated above and as shall be duly amended from time to time; and to be subject to procedures for compliance and/or disciplinary action.

MANAGEMENT COMPANY

SIGNATURE OF CORPORATE OFFICER

DATE

PRINT NAME

ADDRESS

SIGNATURE OF SUPERVISING CCAM

DATE

PRINT NAME

ADDRESS
