

WELCOME TO THE BOARD

Informational Handbook for Community Associations Board Members

Prepared By



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Imagineers – Welcome to the Board
Informational Handbook for Community Association Board Members

Index

	Page no.
Section 1 Welcome to the Board - New Board Member Information	1-1
1.1 How and Why you Got There	1-1
1.2 What you Should Know About Your Responsibilities	1-5
1.3 What are the Functions of the Board	1-7
1.4 The Politics of the Board	1-10
1.5 Conclusion	1-11
Section 2 Summary Information on Imagineers and Services Provided	2-1
2.1 Overview of Staffing	2-1
2.2 Description of Management Lead Team	2-1
2.3 Management Organization Chart	2-3
2.4 Description of Services Provided	2-4
Section 3 Features of the Community Website Portal	3-1
Section 4 Tips for Effective Board Meetings and Successful Board	4-1
4.1 Ten Tips for a Successful Board Meeting	4-1
4.2 Ten Ways To Help Increase The Effectiveness of Your Board Meeting	4-2
Section 5 Safeguards in Place for Association Funds	5-1
Section 6 Useful Website Links	6-1
ATTACHMENTS - Management Agreement <i>(copies furnished upon request)</i> - Sample Forms <i>(copies furnished upon request)</i>	

SECTION 1

WELCOME TO THE BOARD NEW BOARD MEMBER INFORMATION

Congratulations, you have recently been elected or appointed to the Board of Directors of your association. You have been empowered to participate in the decision making process which will affect you, your neighbors and everyone in your community.

The attached information has been provided by Imagineers and is the culmination of many years of experience within the property management field. We currently serve approximately 190 associations throughout the state of Connecticut representing 17,500 units. Our client communities comprise condominium associations, homeowner associations, planned unit developments, special service districts and special taxing districts. They include both communities that are longstanding as well as communities that are currently under development.

We serve our clients from two offices located Hartford and Seymour. Each office has established staff of skilled and experienced Property Managers and Property Assistants who serve clients based from each location. The accounting functions for all our clients are carried out by our skilled Accounting staff members working in our Hartford office.

In this discussion, we will review how and why you became a member of the Board, what we feel your duties will be, your major concerns as a Board member, some of the pitfalls you may run into and finally, assist in your decision to determine whether to run for an additional term in office.

Most people within your community do not have an active desire to participate. Most simply buy their unit, move in and let someone else worry about the administration of the organization. Congratulations as you have decided to stand up, speak out and are determined to actively participate in the future success of your community.

1.1 HOW AND WHY YOU GOT HERE

In this section, we will discuss characteristics of your community and you as a Board member.

What is a Community/Homeowner Association - A community association is the organization that operates a condominium or similar common interest community which can consist of high rise, garden style homes, townhouses, single family homes or combinations thereof. The distinguishing feature is that the residents either own or use something in common and the community association runs it for them as members.

The Association is likely a corporation under and governed by the State of Connecticut as outlined in the Association's governing documents commonly referred to as "Condo Docs". The Condo Docs are likely to include an associations Declaration, By-Laws and Rules & Regulations. If your Association was constructed after 1984 or the documents have been recently revised, they will be similar to many Associations as the documents are governed by the Common Interest Ownership Act ("CIOA").

CIOA (as set forth in Chapter 828 of Title 47 of the Connecticut General Statutes) states among other things that each unit owner becomes a member of the community association when he/she buys their home. The owners, in turn, elect a Board of Directors whose authority is detailed within the association's governing documents.

The Board has the responsibility of operating the community, which, in many cases, represents millions of dollars in physical and cash assets. The units within the community are likely many unit owners' largest personal asset. The Board will annually determine how to spend thousands of dollars, while recognizing those decisions will likely affect property values.

What led you to become a Board member - In the case of a new developing community, you may have been selected or encouraged by the developer. When the developer forms the Board, he/she may have many interests in mind, yet the likely primary interest would be to sell the remaining units. To do so, the Board, which at the time is comprised of homeowners PLUS the developer, will need to start building effective working relationships.

This situation is more difficult to navigate than an existing Board of Directors, more difficult for individual homeowners and more difficult for professional management companies.

If you ran for a seat on an existing Board of Directors, that shows you are among the group that truly cares. This group represents a minority of homeowners, as most Boards of associations are in fact less than 5-10% of total homeowners.

From our experience, we see Board representations being sought for the following reasons:

- Maintenance issues
- Concern for assessment history
- Perceived careless spending
- Dissatisfaction with rules, regulations or how amenities are being managed
- A sincere desire to give their time and talents to serve the association
- Lastly, many homeowners think they can do a better job than the existing Board.

Personal motivations exist as well. You may feel a sense of responsibility to do something for yourself and fellow community members to make association living more pleasant. You may have a desire to protect your investment in the community. Some individuals admit to the feeling of power that being on the Board brings. Power is an important part of the Board, yet needs to be monitored carefully. You may apply only as much power as the community public opinion will tolerate, along with what the laws of the State and your governing documents will allow.

The Board cannot pass or enforce rules that are illegal. Your association's Declaration, Bylaws and Rules & Regulations along with State Statute dictate procedures for changing policies, rules, etc.

As you can see, there are many reasons why community members stand up, be counted and truly make the tough decision to represent their interests as well as the interests of their neighbors.

What to do first? - Let's consider what actions to take if you expect to be a Board member who contributes, survives and obtains satisfaction from the experience.

Task number 1 is to read (and re-read two more times) the Declaration, Bylaws and Rules & Regulations of your community. They are analogous to state charters of municipal governments. They outline what you can and cannot do as a member of a Board of Directors within the community. In addition, obtain a copy of Chapter 828 of the Connecticut General Statutes which will also provide guidance on community living. It is important to note that since 2009, each legislative session has brought with it changes to CIOA. If your association's governing documents have not been revised since 2009, they likely include several sections that are superseded by state law. Changes to CIOA have impacted the manner in which meetings of the board are conducted, how the budget is put in place, how rules are enforced and many other areas creating a more transparent operation of the association.

It is worth mentioning that the provisions in the governing documents can be changed; however, the process (outlined within the documents and in CIOA) is likely lengthy and complicated requiring notices and votes of the community. We have seen too many occasions where new Board members simply feel that they now have a vote and can make whatever alterations they wish to governing documents; that is not the case. It is important to first get acclimated to the laws of our state and the existing governing documents. Through experience, the rationale behind different aspects of the law and governing documents begin to make greater sense. Through experience you will also gain greater insight into how to best improve the governing documents of your association.

The Rules and Regulations should be reviewed and understood. They are different than the Declaration and Bylaws. They are the easiest to be changed and in many cases have been adopted/approved over the years by the previous/existing Board members. The Rules & Regulations typically address the most basic day to day actions of owners and residents as they live their life. All owners and residents are expected to know and abide with the Rules & Regulations. As a Board member, there is the perception of a higher standard; you should lead by example and follow these guidelines.

Task 2 is to determine where things stand. Reviewing financial information, audits, tax returns, maintenance expenditures, capital reserve plans, assessment histories, previous years budgets, etc. are all areas where you should focus your efforts. Additionally, you should obtain information about your colleague Board members. What are their occupations? What are their backgrounds, skill sets and talents? What are their personality traits/characteristics and their strengths and weaknesses?

Task 3, upon obtaining a clear understanding of the community's financial health, you should then become familiar with the preferred vendor/contractor list of the community. The characteristics (annual contract size, longevity of relationship, key contacts, after hours/emergency history, etc) of the vendor relationships such as landscaping, snow, electrical, plumbing, painting, insurance, carpentry, among others, should be known.

As you consider the recommendations in tasks 1, 2 & 3, you can begin your attempts in understanding the areas of concern for Board members through discussions with existing and former Board members, reviews of previous meeting minutes and reports from management. You should be aware that minutes of a Board meeting are not "notes of a Board meeting" but rather should contain only the primary decisions reached at a board meeting. They may not contain confidential details which you would obtain through discussions with fellow Board members.

What you will need to learn - Few homeowners are familiar with their association's operations, thus when you as a homeowner become a Board member, there are many areas where you should focus your attention. Chances are you know little of the Declarations, Bylaws, Rules & Regulations, budgeting and future capital needs of your community.

What there is to learn depends among others, in large part on the following:

- Size and age of the community
- Construction type and number of structures
- Recreation facilities and amenities
- Nature of homeowners

Perhaps the most important element to recognize is the homeowner's character. It will help to know what is on the minds of the members living in the association, particularly when making decisions which are in the best interest of the community at large.

Characteristics of successful board members - Irrespective of how you were elected to the Board, you should possess a number of personal characteristics to make the job a success, some of which are:

- Relatively calm temperament to assist you in getting through the rough spots which you will encounter
- Ability to get along with others
- Forward thinking (more long-term than short-term)
- Impartiality and objectiveness will be critical
- Courage to "do the right thing"
- Ability to make rational, sound business decisions
- Ability to effectively communicate with the members of the community
- Ability to effectively explain and educate the community on issues affecting the association
- Expect criticism

There are some Board members who attend meetings and contribute little, while there are Board members who dominate meetings. Each case is unproductive unless balanced against one another. Without a more equal representation on the Board, the entire Board's authority is likely to be undermined.

Our experiences have shown, successful Boards of Directors have members from all walks of life, each of whom bring a distinct skill set and perspective that, when combined with all members, produces a unified TEAM to make the difficult decisions that accompany association living.

Be prepared to make sacrifices - Since you have decided to run for election and have succeeded in becoming a Board member, chances are you have already determined that there will be sacrifices. Likely the largest sacrifice you are expected to make is time. Dependent upon size of the community and number of colleague Board members, be prepared to spend as much as 2-3 hours per week on Association business.

The second most significant sacrifice you should expect is that, at times, you may also discover that being on the Board puts you on opposite sides of the fence from your neighbors. You will find

yourself in a position making what some would consider unpopular decisions, which may in fact be necessary for the benefit of the entire community.

Summary of How and Why You Got Here - Generally, as the Board gains experience over successive terms, its performance improves and members gain satisfaction for serving. The first Board has issues dealing with transition from the developer, many of which are one time issues, yet difficult to navigate. This Board tends to be “by the book” and makes strict interpretations of existing Bylaws, rules and regulations.

The second Board may swing the other way and loosen up on certain items. What happens in these cases is things are “smoothed over”, with not much attention to day to day operations of the community. As a result, operating expenses exceed budgeted guidelines resulting in special assessments or fee increases or rules are not properly enforced resulting in the need to take a more aggressive approach to regain compliance. These actions, although necessary, can make the Board unpopular and may discourage Board members and homeowners. The best approach is a consistent attention and compliance with the governing documents and state laws carried out in a respectful and business-like manner.

Boards are occasionally made up of owners angered by the previous Board. For a group of primarily new board members to be successful, they first need to become knowledgeable of the different aspects of the association’s life and history. As difficult as this may be to an energetic group put in place to effect change, it is vitally important to both the board members and the whole community.

The most successful Boards tend to be comprised of a mix of experienced members and new members. The experienced members help create a sense of continuity which can be that connection to the history of the association. Having the knowledge of what has worked, or not worked, in the past can help boards make decisions. New board members provide new perspectives that can be refreshing. They also can help re-energize a board.

1.2 WHAT YOU SHOULD KNOW ABOUT YOUR RESPONSIBILITIES

In this section, we will discuss the composition of successful Boards and how each member is an integral part to the association’s success. Another great source of information regarding your new role as a board member can be obtained from the Community Associations Institute (“CAI”). CAI is a national organization of board members, common interest professionals and vendors serving common interest communities. We encourage our associations to become members of CAI. Members receive periodic publications and emails that provide very useful information and insight into your role of governing your association. The local chapter of CAI offers numerous opportunities each year to attend educational sessions.

Please be sure to refer to the governing documents for your own community to help ensure a full understanding of the role of each of the officers of your board. In general, the following is a less formal summary:

The Role of the Board President - The Board President is responsible for running the meetings. He or she may actively do so or delegate the authority. The president has the greatest impact on how effective the board will be in discharging its responsibilities.

If the President does not control the meeting or lacks a sense of priorities, often the board meeting becomes unproductive. The president is instrumental in ensuring that topics addressed at a board meeting are given the appropriate amount of attention. Too often boards get sidetracked consuming too much time on lower priority issues and too little time on high priority issues. By being knowledgeable in the needs of the community and the priorities of those needs, the Board president can help facilitate a productive meeting. Productive meetings enable the business of the association to be properly addressed while respecting the personal time of each board member.

The Role of the Board Vice-President - In the absence of the President, or in the event of his or her inability or refusal to act, the Vice President shall perform all the duties of the President and when so acting shall have all the powers of, and be subject to all the restrictions on, the President.

The Vice President shall have other powers and perform such other duties as may be prescribed by law, by the articles of incorporation or by the governing documents or as may be prescribed by the Board of Directors.

The Role of the Board Treasurer - The Board Treasurer is responsible for reviewing financial information. He or she should have enough educational or professional background to allow adequate knowledge during the review process. In some associations, the treasurer may also be responsible for signing checks or providing approval to issue checks.

A common pitfall treasurers make is spending inadequate time on long range planning for capital projects and finances to pay for those projects, yet spend inordinate amount of time scrutinizing the accuracy of immaterial financial expenditures. An effective treasurer can easily assess financial statement integrity, determine levels of materiality (since all members are volunteering their time and spending too much time on “the little stuff” does not yield much benefit) and act upon those annually approved budgets.

The Role of the Board Secretary - The Board Secretary has primary responsibility over the minutes of Board meetings. Again, minutes of Board meetings should not be “notes” of the Board meeting. There are proper steps to adhere to in calling for action and voting. The Board minutes are the place that these actions are documented.

A meeting minutes book should be kept for all minutes. The minutes are available for ALL homeowners to review should they wish to do so. That said, there are certain confidential matters such as collection efforts, legal proceedings, etc that should be discussed in Executive Session portion of board meetings. Minutes are typically not taken during the executive session of the board meeting. We recommend you seek advice from association counsel as it relates to how those items are documented

Boards which operate effectively - The most effective Boards operate as a governing body which sets policy while being mindful of not getting too involved in the day-to-day operations. The board determines the way in which it wants to run the property on behalf of all owners. Thereafter, the Board hires and contracts with vendors and professionals to carry out those policies.

Keep in mind, the contracts entered into are between vendors/professionals and the Association. Your management company may sign the contracts, but they do so as AGENT for the Association. The decision to hire and fire, enter and exit is solely a Board decision. The management company does not have a vote just as the residents represented by the Board do not have a vote; only Board members do.

When board members get too involved in the daily management of the community, there will be problems. Once board members become involved at that level, it will not be long before individual homeowners start calling (or knocking on your door) with their problems. Further, you may be directly blamed when things go wrong.

We feel the associations who keep policy making and the administration of those policies separate are the more effectively managed communities.

1.3 WHAT ARE THE FUNCTIONS OF THE BOARD

Now that you have determined why you have decided to seek a position on the Board, you have done your “homework” and have touched upon what the Board’s role is, let’s discuss specific areas where Board members will spend time.

Contracts - Boards have the final authority when determining which vendors gets hired to perform services. Board members sign contracts and should therefore be familiar with language contained therein. For a medium sized (less than 120 units) community, the number of contracts in place is actually a small number. They are likely:

- Management
- Insurance
- Landscape/Snow Removal
- Trash Removal
- Utilities
- Annual Accounting Report

Contracts are the area where most Boards do not have the industry background to manage without the assistance of a professional management company. Remember, you and your colleague Board members are volunteers that “set policy”. The management company is hired to be responsible for implementing those policies.

Contracts have expiration dates, termination clauses and usually contain language that will need to be reviewed by someone with industry experience. Most contracts have duration of at least one year, thus the Board has limited opportunity to ensure these contracts are as accurate as possible, principally as it relates to establishing service expectations.

The insurance contract or policy is important in a few regards. The Board members should be covered by Directors and Officers insurance. The board needs to be sure that both the cash and physical assets of the association are properly insured. When evaluating coverage and deductibles, the board should be considering what is in the best interest of the association. Don’t be enticed by

simply the lowest premium. Board members will be under much greater criticism of the association members if a loss occurs that the association was required to insure but didn't versus saving a few dollars for less than adequate insurance. In addition, if Associations have employees, insurance benefits and workers compensation issues may exist.

The insurance arena is difficult to navigate for someone with limited understanding; therefore, encouraging your insurance agent to attend a meeting of the Board or its homeowners can be invaluable.

Communication - Boards who communicate effectively with the community at large are generally more successful than those who do not. The communication can be in the form of a newsletter, website, annual meetings, open forum community meetings, minutes posted on the web portal, budget presentations, reserve plans and email.

Previously mentioned was the possible stigma attached to Board members perceived to be on the Board for personal interests only. The community at large may incorrectly view the Board as a dictatorial body. Effective communication can help inform association members of what decisions are being reached by the board and the reasons behind the decisions reached. Association members need to hear news from their elected Boards, whether good or bad. A well informed association is better prepared to respond and react to the more difficult and divisive issues. Associations run the risk of having obvious answers to solutions lost when associations are not adequately informed or have a difficult situation unnecessarily sprung on them. Since spending can be at the root of the issue, an association can help prepare association members for larger capital needs. Budgets and capital reserve plans can be important tools in communicating to association members when the need will exist to fund capital and operating expenses. Associations have an opportunity each year as part of the budget ratification procedure to convey this important information to its members.

Rules and Regulations - The association's Rules & Regulations is an area where enormous amounts of time can be spent by Board members. The standard employed in the establishment of rules is "reasonable business judgment". If the rule makes reasonable business sense and, most importantly, can be enforced, the rules will benefit the entire community. Rules which are not enforceable may be harmful if owners feel other rules will not be enforced either.

Once rules are voted upon and put into practice, it is important that ALL board members support the rule. Problems can arise if owners determine the Board was divided on an issue. Boards must present a 100% unified front to their community. Most association governing documents require that a proposed rule change be sent to the association members for notice and comment. This process is a great opportunity to seek the input of the association members. It creates another opportunity to make sure that the board has considered all the factors. The notice and comment process also helps communicate to the association members that a situation exists that needs both the board and the members attention.

Committees - Committees can be valuable a valuable resource to an association's board. Committees are usually comprised of interested owners with knowledge in a specific area of the association's operation. Committees can serve as an opportunity for association members to gain the experience that can be helpful should they decide to serve on the board in the future. Pitfalls to avoid are the establishment of too many committees, giving the committees a false empowerment

and being sure that the efforts of the committee are respected and that the committees recommendations to the board be seriously considered.

Finance, Grounds/Buildings, Social and Rules are examples of committees where selected members can consist of board members and owners. Ensure these committees and their members understand their role as advisory; they do not establish policy. For example, the current year's budget contains \$5,000 in landscape improvements. The Grounds Committee may be asked to research plantings and report to the Board with their committee's recommendation for the expenditure. The Board will ultimately decide whether to incur the obligation. Having a document that states the purpose or charge of the committee and spells out the expectations can help reduce misunderstandings leading to a productive useful committee with members who feel that their time and efforts are valued.

Finances - A common mistake made by Board members is fiscal management for the short term without adequate consideration for the long term. Many board members feel their primary purpose is to keep common fees as low as possible. While that objective can always be achieved, services may suffer, maintenance may be deferred and resale values may be adversely affected. Furthermore, future board members may not be provided adequate finances to effectively operate the association.

Monthly review of the association's financial statements is merely a portion of the financial responsibility held by Board members. Other responsibilities to be considered are:

- Review of actual and budgeted expenditures
- Review of audited financial statements and tax filings
- Preparation of short term (annual) projects lists as well as long term (2-10-15 years) capital reserve budgets.

Budgeting is a critical part of effectively managing the association and boards with finance experience/backgrounds are generally better fiscally operated than boards without.

One area where boards should spend time is producing the annual list of projects they wish to complete. This list should be monitored each year and should serve as the basis for ensuring maintenance items do not get deferred for too many years.

Fiscal planning for the long term health of the community is a critical area where many people simply do not spend effort because they feel they "won't be here in 15 years". This is a monumental mistake made by too many boards. Whether your owners will be here in 1, 2, 3, 10, even 20 years has little to do with the fact that each and every one of them USED the roads to drive on today and received the benefits of roofs, siding, windows, etc.

Effective boards recognize the relationship between keeping costs low and increasing values of their homes. It is a very difficult balancing act, one that works best with practice, experience and hard work.

Monthly Common Fees vs. Assessments - In well operated communities, this discussion does not occur often, and when it does, it is considered and decided upon with ease. As a general rule, if budget overruns can be ascribed to a specific project, event or cost, it is more effective to special assess the entire community rather than fund the shortfall from either current operations or reserve monies.

In recent years, utility costs have skyrocketed, while the New England winters have also been pretty brutal. Overruns in these areas are best dealt with a) immediately and b) through the use of a special assessment. Just because the snow removal costs are \$10,000 over budget because snowfalls this year were significant does not mean that \$10,000 should be “cut” from other budgeted items. It may turn out that the costs savings can be generated on other line items, but those instances are rare.

Keep in mind, financial information is always considered when buyers do their research on condominium living. Some boards have thought that they were doing a great job by keeping costs down only to realize that the low reserve cash balances ultimately resulted in discounted selling prices of units. Informed potential buyers understand that low reserve monies today equal larger common fees and assessment tomorrow.

1.4 THE POLITICS OF THE BOARD

Now that we have discussed why you have decided to seek a position on the Board, as well as what you will be spending “management” time on, let’s now discuss areas which may require just as much time, and although necessary, may not produce visible results.

A common pitfall is to discount the following items out of hand, when in actuality, the “audience” members raising these issues are the constituents who may have participated in your selection to the Board.

Board voting and approvals - Instances may arise where you find yourself in the minority on the Board; always voicing an opinion to the contrary and always feeling like it is you against everyone else. When these cases present themselves, the first course of action should be to ask yourself why you are on the Board in the first place. You may have been elected to “sway the majority” into changing their views. If your views are reasonable, if you remain patient and consistent with your position, conflicting viewpoints are often catalysts for positive change.

One important item to consider is that the voting process within the Board is final and conclusive. Majority wins and unanimity is not required. Too much time is wasted in meetings trying to get all to agree. You are better served discussing the issue, voting on it, ensuring the minutes are accurately reflected and moving on to the next item of business.

Yet once the Board has voted and opined on a matter, stand together as a group even if you were outvoted. Expecting possible conflicts is mandatory; all members within the homeowner association/community do not agree on all issues, it is foolish to think all Board members will.

Complaining Community Members - Board members are often presented with an individual member or group of members who feel it is their job to critique each and every area of the community. Board members should not feel threatened or get defensive.

The most successful manner in which to deal with issues/complaints is to require all items are put in writing. This will likely reduce the number of complaints significantly; if members are not interested in putting their issues on paper, they must not have been that important. Upon review,

the board should invite the complainant to the next meeting for a hearing. The request to have the information in writing is to ensure a more formal process is undertaken. With the changes to CIOA, unit owners now have a greater opportunity to address the board at board meetings. Offer the opportunity to attend an upcoming board meeting to the homeowners with issues that they would like addressed. By expressing their thoughts to the entire board, the likelihood of their thoughts being fully understood are greater. It may also provide the homeowner with greater insight into the actions being taken by the board.

Board and Annual Meeting Management - Written agendas are absolutely critical for the management of a meeting. The Board must have a strong personality who carries the meeting and the outline of the rules of a Board meeting should be expressed to new attendees. Be mindful of the fact that some members of the community have never been to a Board meeting and do not necessarily understand the rules.

The Board has a responsibility to take action on certain items in each meeting. Spending 30 minutes talking about violation letters is less meaningful than spending 30 minutes on voting on a multi-year assessment for repairing all the roofs in the community. However, both sessions of 30 minutes may be necessary.

You should always consider the fact that you and your colleague Board members have taken the important step of volunteering and were elected to the Board. If owners are abusive, constant complainers or often critical of Board action, ask them to consider becoming a member of the board in the future and really affect change.

Each Board meeting must provide homeowners with an opportunity to address the Board. The Common Interest Ownership Act which requires this also requires that some form of parliamentary procedure be used when conducting meetings. The preferred method, Robert's Rules, helps create a structure for homeowner participation during an open business from the floor session.

Board meetings should be timed so as to ensure volunteer members are spending time wisely. There are not too many situations that exist whereby Board meetings need to exceed 90 minutes.

1.5 CONCLUSION

We have walked through the following:

- How and why you are on the Board
- What you should know about being on the Board
- What are your functions as a Board member
- Some of the politics of your association

If your association is fortunate, your Board consists of concerned members of the community with diverse backgrounds, each with an area of expertise, that are all moving in the same general direction. Should the Board not meet those criteria, it can always make positive strides.

You are to establish policy and ensure the implementation of those policies is performed in a professional, reasonable manner. The Board of Directors at General Electric do not know how to make a refrigerator or oven; the Board of Directors at IBM or Microsoft have no idea how to make

a computer or a chip. However, those Boards along with other successful Boards have the ability to communicate their vision, responsibly put together a business plan and ensure professional managers implement those plans.

Board members are elected officials who are responsible for the operation of a not for profit Connecticut corporation. When situations present themselves where tough decisions need to be made, you best be prepared to make them. When situations present themselves where you need expertise, you best be prepared to seek that expertise.

You have made the important step in becoming involved in the affairs of your community. You are in the minority as less than 5%-10% of all community homeowners are represented on voting Boards of Directors. If you take this responsibility seriously, recognizing the sacrifices to be made, work hard with your neighbor Board members, the experience will be a positive and rewarding.

SECTION 2

SUMMARY INFORMATION ON IMAGINEERS AND SERVICES PROVIDED

2.1 OVERVIEW OF STAFFING

The Property Manager is the lead person responsible for conducting property management services and communicating with the Board of Directors. Imagineers assigns a Property Manager and Property Assistant (PA). The Property Manager makes regular site inspections. The Property Manager attends regular board and annual meetings based on board preference. The Property Manager and Property Assistant work as a team in managing the account.

Imagineers assigns a dedicated General Ledger Accountant to the association, along with an accounting support team of Accounts Payable & Receivable Clerk. These staff members will produce financial statements and will become a resource to the board treasurer for financial reporting questions and directives.

2.2 DESCRIPTION OF MANAGEMENT LEAD TEAM

In addition to the Property Manager and Property Assistant, there are a number of support personnel, professional and otherwise, who are a part of the team of services assigned to support the property manager and serve your community. They are as follows:

Financial/Business Services:

- **General Ledger Accountant** – This position applies principles of accounting to analyze financial information and prepare financial reports. This position maintains project modules, project set up, project reporting and financial information. This position prepares financial reports to record assets, liabilities, profit and loss, tax liability, or other financial activities, and reconciles general ledger accounts.
- **Trade Accounts Receivable and Trade Accounts Payable Specialists** – This position is responsible for the preparation and reconciliation of periodic accounting reports and works closely with the General Ledger Accountants to process accounts receivable and account payable transactions and provide general accounting support.
- **Controller and Director of Accounting and Internal Controls** - Patti Sebring 28 year employee. – Patti is responsible for the day-to-day execution of our Accounting/Finance staff and our condominium contractual responsibilities.
- **Resale Certificate Specialists** – Barbara Struthers an 18 year employee is responsible for all activity involving the preparation and execution of resale certificates and mortgage affidavits, and other information required by mortgage companies.

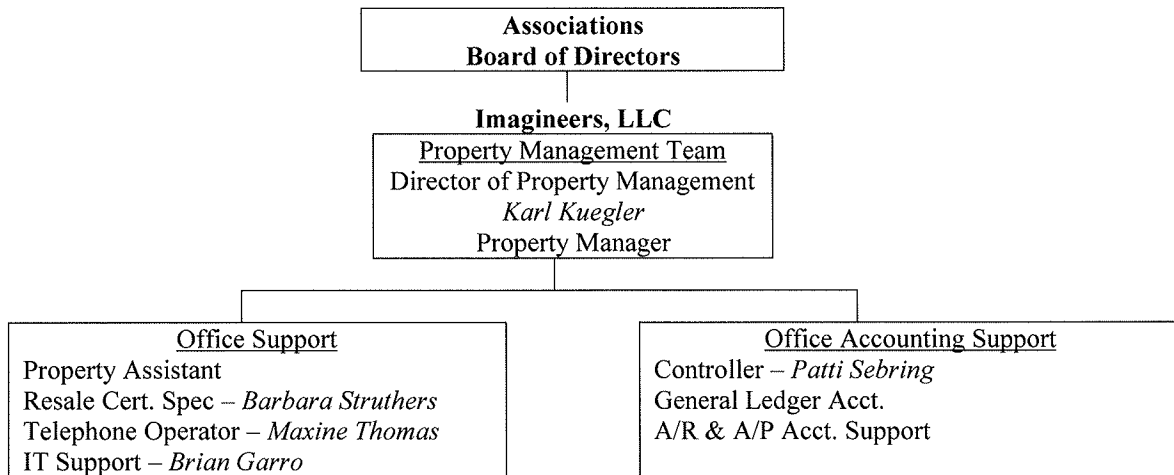
Senior Management Support:

- **Director of Property Management** – Karl Kuegler a 20 year employee oversees Imagineers direct management services to our client communities that we serve and is responsible for the day-to-day execution of our management responsibilities.
- **President** – Ken Schultz 31 year employee serves as the company President and is actively involved in the management and operation of Imagineers.

Other Support:

- **Telephone Operator (2)** – Maxine Thomas and Cappie Mansfield telephone and office receptionist responsibilities include handling all incoming calls and client traffic for the communities that we serve. They also provide administrative support to management program staff.
- **IT Support** - Brian Garro - The IT staff person provides general computer support and telephone system support and training to management staff. The IT position plans, directs, and coordinates the development, implementation, and operation of information systems and technology solutions for normal management operations.

2.3 MANAGEMENT ORGANIZATION CHART



2.4 DESCRIPTION OF SERVICES PROVIDED

- 1.) **Attending Board Meetings** - The Property Manager attends Board meetings and the annual Association meeting. In addition, personnel from Imagineers participate with the Board, and its committees, when and if required in the mutual need of the parties concerned, and in any case where the potential welfare of the Association is involved. Action Points are taken at every board meeting and distributed within 48 hours of each Board meeting to the Property Assistant and other staff involved in the completion of the tasks. A summary Action Points report is published on a monthly basis as part of the Board meeting package.
- 2.) **Correspondence on Behalf of the Association** - Imagineers prepares delinquency letters and all required communication regarding rules infractions, bills, etc. as the Board directs. All written communication is provided to the Board.
- 3.) **Emergency On-Call Service** - Imagineers maintains a current list of qualified service companies that are available to respond to emergencies such as water line breaks, broken windows, roof leaks, and any such deficiencies requiring emergency-type attention. Imagineers has a 24-hour per day, seven day per week emergency call program for vital support systems on the property. As part of this program, a responsible staff person shall be designated “on-call” for emergencies and other extraordinary situations.
- 4.) **Service Requests** - The Manager is responsible for the oversight of the efficient distribution of all service requests within a reasonable time frame and in a professional manner. Homeowner service requests, or informational queries, regarding common and limited common areas and individual in-house elements are reviewed and recorded in a systematic fashion in order to document the action taken. Imagineers utilizes a method by which homeowners can submit information about any matters concerning which they have perceived deficiencies, including but not limited to day-to-day operations, maintenance, and general conditions of the condominium buildings and grounds. Imagineers informs the Board and the individuals submitting the information as to the action taken.

Complaints of a serious nature are, after investigation, reported to the Association in a timely manner together with appropriate recommendations as to their resolution from Imagineers. As part of a continuous program, the Imagineers makes reasonable efforts to secure performance by the unit owners, individually or collectively, of all items of maintenance for which they are individually responsible. Imagineers creates and maintains work orders for all services.

- 5.) **Property Inspection**- Not less than once weekly (unless negotiated otherwise), regular site visitations devoted to looking for preventative maintenance, repair or correction items in addition to contract and vendor management.
- 6.) **Solicit Competitive Bids and Contract Management** - Imagineers has developed a large bank of qualified vendors. We engage in the competitive bidding process with multiple vendors, summarize the bidding process and provide recommendations based upon our experiences in managing these outside vendors/contractors.

- 7.) **Physical Management** - We will help the board to develop a plan for ongoing maintenance and oversee the common space maintenance issues.
- 8.) **Prepare Annual Operating Budget** - Imagineers provides the Board, an annual preliminary “draft” budget setting forth an itemized statement of the anticipated income and expenses for the forthcoming fiscal year, together with a recommended schedule of assessments, if change is required, taking into account the general condition of the property. Imagineers aggressively seeks to maximize savings and shall manage vendors in such a way as to achieve this goal. The annual budget is drafted, entered using the C3 system and presented to the Board not less than 90 days prior to the end of the fiscal year. The budget is in a narrative format with explanation of each line item and is comprehensible to someone who had not seen the budget previously.
- 9.) **Collection of Association Fees** - Imagineers collects all assessments and fees due from unit owners and residents. Imagineers assists to establish a uniform collection policy and to coordinate the attorney collection process. When applicable Imagineers requests and collects all charges, assessments which may at any time become due to the Association. Imagineers will follow up on delinquent fees or assessments with timely notices as authorized by the Board. Imagineers, with knowledge of the Board, initiates legal proceedings required for the collection of delinquent assessments and fees from unit owners or others. As a matter of standard practice, Imagineers furnishes the Board with a summary of all delinquent accounts on a regular monthly basis.
- 10.) **Prepare Check Disbursements** - Imagineers disburses regularly and punctual funds from the Association’s account. These funds include payments to vendors, independent contractors or employees hired pursuant to Board direction.
- 11.) **Reconcile Bank Statements and Prepare Monthly Financial Statements** - The bank statement are reconciled each month and provided routinely to the Board. Monthly financial statements are carefully reviewed by the Property Manager each month before they are provided to the Board. Monthly financial statements are distributed to the Board prior to the monthly Board meeting dates.
- 12.) **Other Budget and Financial Management** - Imagineers maintain a comprehensive system of financial records, book and accounts, in compliance with the documents, applicable law and the requirements of the American Institute of Certified Public Accountants. These records are maintained at the office of Imagineers and are subject to examination by the Officers, and the members of the Executive Broad at any time. Imagineers maintains all other Association records in compliance with the documents and applicable law. These records are maintained at the office of Imagineers and/or your community.
- 13.) **Miscellaneous Services:**
 - Preparation of Resale Information. Imagineers prepares the necessary documents for resale of units as required by the Connecticut condominium act, the Association’s Documents including the Bylaws and any other requirements imposed by the Board.
 - Administrative Assistance. Imagineers prepares and delivers notices of meetings of unit

owners and such other related notices as are required by the Board, and/or specified in the By-laws. Imagineers advises the Board in the governing processes of the Association to develop good communications and high levels of participation by its residents. Imagineers exercise attentiveness to events occurring within the fields of taxes, law and insurance, as they specifically pertain to condominiums, and to inform the Board of such developments. In addition, Imagineers recommends to the Board, as necessary, proposed changes to the Association's Documents, including the Rules and Regulations of the Association, and enforcement procedures, to improve their effectiveness and the lifestyle of the Association and the welfare of its residents.

- The Property Manager is familiar with the community's governing documents, and uses these as a guideline for decisions regarding rules, violations, regulations, etc.
- The Annual Report is filed in a timely fashion with the Connecticut Secretary of State.
- Fidelity bonding which conforms to State law is placed on behalf of the community.
- The Association's insurance coverage in general is understood and kept in place. The Board will be apprised of upcoming insurance expiration in order to allow time for re-bidding if the board wishes to have us do so.
- The Board is apprised of the need for an annual audit and the filing of tax returns. Tax returns are not signed by the manager but by a member of the Association's Board.
- The Property Manager helps to develop and enforce rules.
- The Property Manager helps to coordinate Architectural control.
- The Property Manager helps to conduct special mailings when necessary.
- The Property Manager maintains association records.

SECTION 3

FEATURES OF THE COMMUNITY WEBSITE PORTAL

In our continuing effort to bring the highest level of management service to our homeowners, we introduced our free community website portal for each of our client communities. The website portal provided your community with a website with many helpful features. This community website will give you the ability to access your account balance, verify that your payment has been processed and review your account history online.

Intranet Web Portal for your Community - Imagineers offers your community a website portal. A community web portal operates like a community website but has access restricted to limited groups of authorized users. Each homeowner obtains his/her own secure password and logon to access community information as well as homeowner specific information. There are many features that are offered through this intranet web portal including the following:

- **Account Information** – ability for all homeowners to login to their community and directly access in real time their account balance & account history and status of work orders and covenants. Account payments are updated and posted to homeowner accounts daily. We expect this new service to reduce billing questions and improve customer satisfaction.
- **Announcements** – the ability to list specific community announcements to other community members through this intranet accessible web portal.
- **Documents** – the ability through Imagineers to post documents and forms of interest to your community (e.g. Community Rules & Regulations, Late Fee Policy, Snow Removal Policy; Variance Request Form, etc.)
- **Events/Calendar** – community calendar with posting features.
- **Web Links** – helpful links to other Internet Websites of interest
- **What's New Section** – affords the ability to search your community site for what has been added to the site by a user defined time period.

Each homeowner can gain immediate access directly to it by providing his/her initial login and password, which are printed at the top of your account statement. Both the login and password are initially assigned by the system and can be updated online. You can access the login page through the Imagineers website under the “Condominium Management” section and then by clicking onto “Login to my Community”.

Other Imagineers Website Features:

- **Newsletter/Resource Web Page** – The Imagineers website has a “newsletter / resource” web page to post helpful community association information and tools. Currently we have posted the Imagineers created document “Welcome to the Board” informational booklet for new board members (as well as those experienced board of directors interested in a refresher). We also have posted recently published articles from the CAI magazine Common Interest manager’s.
- **Online Service Request Capability** - The ability for homeowners to make online queries for accounting and service requests issues.

- **Online Resale Request Forms** - We have a resale request form that can be accessed and printed directly from the web site. We also have plans this year to explore offering directly access to closing data information through an online service.

The intranet web portal system or community website that is currently in place and is provided as part of the standard service we offer to all of our clients.

SECTION 4

TIPS FOR EFFECTIVE BOARD MEETINGS AND SUCESSFUL BOARD

4.1 TEN TIPS FOR A SUCESSFUL BOARD

1. Board members are willing to work together to create a climate of trust and candor. Board members regularly work together to eliminate polarizing factions.
2. Board members make board decisions based on what is in the best interest of the community and not for any personal gain or retribution for some past experience. Board members respect their fiduciary obligations.
3. Board members are willing to strive for transparency and openness in conducting board business. Board members are willing to conduct self-evaluations on board performance and are therefore open to feedback to help learn and improve the board's effectiveness.
4. Board members are willing to be consistent and reasonable when enforcing violations.
5. Board members are willing to make the difficult (but prudent) financial decisions with regard to preventative maintenance expenditures and proper funding of reserves for replacement.
6. Board members are open to challenging one another's assumptions when conducting board business by recognizing that civil dissent could be productive and may lead to better decisions.
7. Board members are willing to commit themselves to board business by: a.) regularly attending meetings; b.) offering their individual skills/strengths to the betterment of board actions and; c.) providing an adequate amount of time and effort to the roles and responsibilities of serving as a board member.
8. Board members understand the role and responsibility of their Property Manager and Management firm. This includes regularly discussing the way boards wish to interact with the Property Manager on management activity and how best to utilize their skills and resources.
9. Board members understand the personal liability they have while serving on the board. By recognizing that certain decisions and actions by boards can result in litigation and the board may be held accountable on a personal basis. Being aware of this may help board members to act more judiciously.
10. Board members are committed to gaining a general familiarity with the following information:
 - a) Association documents (rules and regulations, declarations and by-laws) as well as state statues and federal and state laws that impact board decisions;
 - b) Standard insurance coverage as well as, terms of existing vendor contracts and;
 - c) Standard accounting practices and procedures and/or willingness to allow someone with knowledge in these areas to take the responsibility for these all important areas.

4.2 TEN WAYS TO HELP INCREASE THE EFFECTIVENESS OF YOUR BOARD MEETING

As you balance your board responsibilities with other work, family, personal and life demands, it is important that the time that you do volunteer to serve your association is productive and that you consider it to be time well spent. The following suggestions are simple ways to help increase the effectiveness and productivity of your association's board meetings:

1. Build a quality agenda and use the written agenda and board package to help drive the meeting goals. Encourage all board members to review the agenda and board package prior to each meeting to help ensure everyone's familiarity with the agenda items in advance of discussion and thereby save time during the meeting.
2. Start the meeting on time. Respect fellow board members by committing to be at the meeting on time and expecting the meeting to start on time (start the meeting once a minimum quorum is achieved).
3. Establish ground rules for conduct during the meeting. Set some agreed upon ground rules for the conduct of the meeting to help facilitate the effectiveness of the meeting. This should be achieved by soliciting input from all board members and not just be dictated by one person (some examples include: phones are turned off or put on vibrate; no phone calls, emails or texting unless an emergency or you leave the meeting; one person speaking at a time, mutual respect and courtesy; meeting starts on time; etc.). Commit to revisit these ground rules every so often and commit to identify ways to continuously improve the effectiveness of your meetings.
4. Stick to the agenda. Keep the discussion focused on association business only (usually the responsibility of the meeting chair). Social conversation is also important but can continue after the formal association business is concluded. When you finish each agenda item, make sure you have established assigned responsibility for any follow up action. Make sure you leave the meeting knowing "who" is assigned to "what" and "when" for any agenda items requiring action.
5. When wrestling with potentially tough issues it may be helpful to present a solution or options to the issue at the same time you introduce to help better refine the group's discussion and move to a quicker resolution.
6. Use a placeholder slot at the end of the meeting to put any non-agenda issues that may be raised during the meeting. At the end of the meeting when you do review the non-agenda issues, decide whether you can act quickly on them or if not, decide whether to take incremental steps, no action and/or table.
7. Identify someone on the board to be an enforcer to help keep the meeting on track and to help to determine the flow of business. This person should politely enforce. This person should have skills to help mediate disputes as well as find consensus in the group (usually the responsibility of the meeting chair but does not have to be).
8. Use organized discussion to help diffuse conflicts or heated discussion. Robert's Rules and Parliamentary Procedure can assist the flow of the discussion but should not get in the way of the discussion with obscure rules or become frustrating to participating board members.

9. Consider using a timed agenda to help keep the meeting moving. To do so you would assign each agenda item with a beginning time. The time allotted to begin each agenda item becomes the ending time for the previous agenda item. The times identified do not have to be strictly followed but can act as a guide as to whether there is a need to push forward due to time constraints.

10. Finish the meeting on time. The productiveness and effectiveness of most meeting starts to diminish substantially after 90 minutes.

SECTION 5

SAFEGUARDS IN PLACE FOR ASSOCIATION FUNDS

We recognize our fiduciary responsibility to your community and want to openly share with you the steps we employ to ensure that your association funds are properly safeguarded. We maintain a Control Program that requires a periodic risk assessment to create an environment of discovery, correction and prevention of security problems. This has allowed us to continue to enhance our safeguard procedures.

An important aspect of Imagineers efforts to ensure that effective checks and balances are in place is our commitment to work in partnership with our client boards in a transparent way. Our client boards have the tools and options available at any time to come in and review whatever records they wish whenever they wish. We provide our client boards with thorough monthly financial statements that they can scrutinize. These statements include all banking activity in detail. This element of surprise inspection and board involvement is a very strong tool that is also at the disposal of your association to help in safeguarding your assets. In addition, the important safeguards we have in place to ensure your association funds as properly protected are as follows:

1. **Association Funds Are Kept in a Separate Account Under the Association Name and federal TIN** - All of your association funds are maintained under only your association name and federal tax identification number (TIN) number and kept in separate accounts. Board members are welcome at any time to verify all bank accounts, account numbers and account transactions. By maintaining funds in a separate account under the association TIN and name, it ensures that your association funds cannot be comingled with funds from any other source such as another condominium. In addition, Imagineers require that a minimum of two board members be signatories on all accounts so our client boards have direct access to their funds independent of Imagineers.
2. **Segregated Duties within Accounting Department - Monthly Bank Reconciliation is Completed By Someone Separate than an Authorized Check-Signer on the Account or Someone Issuing Checks** - By company policy it is mandatory that the staff person who reconciles the monthly bank statement is someone other than an authorized signer of the checks or person responsible for issuing checks. This ensures an important check and balance in that a different staff person reviews the monthly bank statement activity to ensure reconciliation of account funds and to ensure that there is no irregular activity. In addition, we regularly rotate bank duties among employees to prevent collusion.
3. **Delivery/Accessibility to Association Operating Account Bank Statements** - Bank statements are available to board members at any time. To elevate our commitment to our client communities we have taken steps to ensure board designee(s) are granted online access to review the association accounts directly.

4. **Dual Signatures on Checks or Designated Planned Payment Approval** - All withdrawal of funds from the operating accounts requires dual signature approval and/or a monthly report showing all check numbers, payees and amounts. Board members are welcome to verify as proof the electronic images provided by the Bank of monthly statements, returned and canceled checks. Signature cards are reviewed and updated annually and as needed. Imagineers also requires that all vendors seeking payment must provide a completed W-9 with Tax Name and Federal TIN before payment can be issued. This information is reported to the IRS as part of the form-1099 reporting requirements.
5. **Reserve Funds Segregated and Safeguarded** – Reserve funds are also maintained under only your association name and federal tax identification number (TIN) and kept in separate accounts. Board members are welcome at any time to verify all bank accounts, account numbers and account transactions. Imagineers accounting staff are not allowed to transfer or withdraw reserve funds without first receiving a written authorization by the client board to take such action. All written authorization to transfer or withdraw reserve funds is maintained for a proper audit trail. In addition, the execution of all transfers or withdrawals require dual authorization from Imagineers staff.
6. **Lockbox and Direct Debit (ACH) Controls** - Imagineers provides lock box and direct debit of common fees through the federal reserves automated clearing house (or ACH) for each of our clients. A lock box system allows homeowners to mail payments directly to the association’s bank account. Since these funds are handled by the bank using computer encoded scan lines which appear on the coupons, it reduces the chances that the association’s money will be deposited to the wrong account and it provides a secure method of receiving payments. Similar to lockbox transactions the direct debit (ACH) is done electronically through the secure network of the bank and Imagineers. There are dual internal controls over the direct debit (ACH) function. First of all, the transactions to debit the funds are set up by staff members who are not signers on the bank account. The monthly transaction file that is created to draw the fund is also done by a staff member that is not a signer on the account. After the file is executed the funds are deposited directly to the associations account by the bank.
7. **Employee Code of Conduct and Background Check** – All new employees are subject to an approval of a background check before they are hired. All Imagineers employees must sign and adhere to the Imagineers Code of Conduct Administrative Policy. This policy has been an important part of our company since our existence and was created to clearly outline to employees our expectation for conducting business in accordance with core values and ethical standards and the consequences for any deviation from these standards. To acknowledge our role in handling client funds, Imagineers also carries insurance coverage amounts that are higher than industry standards and will furnish evidence of coverage upon request.
8. **Staff and Organization Protection** - Imagineers maintains procedures to ensure appropriate password security disciplines for both employee workstations and accounting software access. Authorization is limited to only employees that need it. All computer users are prohibited from installing copied software programs onto the system and opening up unsolicited e-mail attachments to guard against computer viruses. Computer users are

notified of ongoing policies against sharing passwords and expectations regarding logging-off when away from their computer. Passwords are changed on a frequent basis for all computer users. Imagineers has an extensive back-up and disaster recovery plan that includes a data breach response plan. In addition, we routinely conduct risk assessments and evaluations of controls to ensure appropriate and adequate safeguards continue to be in place.

9. **Audit Frequency and Regularity** – Imagineers has been managing homeowner associations for over 30 years. We are the largest provider of professional property management services for common interest communities in Connecticut. Unique in our field, we have subjected ourselves to an annual audit since our company’s inception. The annual audit we contract for is conducted according to generally accepted auditing standards, which includes an evaluation of our internal controls including how we handle and safeguard client funds. In addition, our systems have been routinely looked at annually by industry experts from CPA firms conducting audits of client funds that we have been entrusted to handle on behalf of the association. When your association is audited – a service we always recommend – the auditor of your specific association must look at the internal control environment to establish how strong a system it is. We have never had a comment as the result of an audit that our systems are not effective. Being subject to this continuous audit environment has afforded us with the opportunity to continue to seek ways to strengthen our accounting controls and checks and balances over the client association funds for which we are responsible.

SECTION 6

USEFUL WEBSITE LINKS

Title	Web Address
Imagineers Community Website Portal	http://www.imagineersllc.com/condo_manage_Community.asp
Imagineers Website	http://www.imagineersllc.com/condominium_management.asp
Connecticut Chapter of the Community Association Institute	http://www.caict.org/
Community Association Institute (National Chapter)	http://www.caionline.org/Pages/Default.aspx
State of CT Common Interest Ownership Act	http://www.cga.ct.gov/2011/pub/chap828.htm
CT Judicial Branch Law Libraries – CT Law About Condominiums	http://www.jud.ct.gov/lawlib/law/condominiums.htm