Accell Property Management, Inc.
Financial Reference Guide

TEL 949.581.4988 FAX 949.581.9785 WEB accellpm.com
23046 Avenida de la Carlota, Suite 700, Laguna Hills, CA 92653

Accell Property Management, Inc.
Community Association
Recommended Investment Guidelines

As fiduciaries of the Association each member of the board of directors has an obligation to perform his or her duties (1) in good faith, (2) in a manner the director believes to be in the best interest of the corporation, and (3) with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use in similar circumstances. Based on this standard of care, Accell recommends the following investment guidelines:

First Priority – Safety of Principal: Safety of the investment should always be the board's top priority. It is recommended that Association funds only be placed in U.S. Government backed certificates of deposit or U.S. Treasury bonds.

Second Priority – Liquidity: Funds should be readily available for projected and/or unexpected expenditures without loss of principal or accumulated interest.

Third Priority – Return on Investment: Funds should be invested to seek the highest level of return that is consistent with preservation of principal and liquidity of investment.

Other Factors to Consider:

Minimal Costs: Investment costs redemption fees, commissions, and other transaction costs) should be minimized.

Professional Management: Professional financial managers with good reputations and sound credentials can provide valuable assistance in selecting appropriate investment vehicles, determining the term of investment to maintain liquidity and maximizing return.

Sample Strategy:

1. Ladder investments with increments of $80,000 maturing every quarter not to exceed a 5-year time frame. The investment ladder should be implemented starting the nearest maturing quarter working out to a 5-year time frame.

2. Maintain a minimum of $20,000 in Money Market accounts for added liquidity.

3. When the money market account reaches $80,000, remove $60,000 and place it in the first available investment quarter in a new laddered certificate of deposit.

TEL 949.581.4988 FAX 949.581.9785 WEB accellpm.com
23046 Avenida de la Carlota, Suite 700, Laguna Hills, CA 92653

Federal Deposit Insurance Corporation (FDIC)

The following information is found on the FDIC website: www.fdic.gov.

What Is the FDIC?

The FDIC – short for the Federal Deposit Insurance Corporation – is an independent agency of the United States government. The FDIC protects you against the loss of your deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government. The term “insured bank” is used in this brochure to mean any bank or savings association with FDIC insurance.

To check whether your bank or savings association is insured by FDIC, call toll-free 1-877-275-3342, use "Bank Find" at www.fdic.gov/deposit/index.html, or look for the official FDIC sign where deposits are received.

What Does the FDIC Insure?

The FDIC insures all deposits at insured banks, including checking, NOW and savings accounts, money market deposit accounts, and certificates of deposit (CDs), up to the insurance limit.

The FDIC does not insure the money you invest in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if you purchased these products from an insured bank.

The basic insurance amount is $250,000 per depositor per insured bank.

TEL 949.581.4988 FAX 949.581.9785 WEB accellpm.com
23046 Avenida de la Carlota, Suite 700, Laguna Hills, CA 92653

Securities Investor Protection Corporation (SIPC)

The following information is found on the SIPC website: www.sipc.org.

THE ROLE OF SIPC

SIPC is the first line of defense in the event a brokerage firm fails owing customers cash and securities that are missing from customer accounts. Although not every investor is protected by SIPC, no fewer than 99 percent of persons who are eligible get their investments back from SIPC. From its creation by Congress in 1970 through December 2006, SIPC advanced $505 million in order to make possible the recovery of $15.7 billion in assets for an estimated 626,000 investors.

When a brokerage is closed due to bankruptcy or other financial difficulties and customer assets are missing, SIPC steps in as quickly as possible and, within certain limits, works to return customers' cash, stock and other securities. Without SIPC, investors at financially troubled brokerage firms might lose their securities or money forever…or wait for years while their assets are tied up in court. However, because not everyone, and not every loss, is protected by SIPC, you are urged to read this whole brochure carefully to learn about the limits of protection.

WHAT SIPC COVERS AND WHAT IT DOES NOT

SIPC is not the FDIC. The Securities Investor Protection Corporation does not offer to investors the same blanket protection that the Federal Deposit Insurance Corporation provides to bank depositors.

How are SIPC and the FDIC different? When a member bank fails, the FDIC insures all depositors at that institution against loss up to a certain dollar limit. The FDIC's no-questions-asked approach makes sense because the banking world is "risk averse." Most savers put their money in FDIC-insured bank accounts because they can't afford to lose their money.

That is precisely the opposite of how investors behave in the stock market, in which rewards are only possible with risk. Most market losses are a normal part of the ups and downs of the risk-oriented world of investing. That is why SIPC does not bail out investors when the value of their stocks, bonds and other investments falls for any reason. Instead, SIPC replaces missing stocks and other securities where it is possible to do so ... even when the investments have increased in value.

SIPC does not cover individuals who are sold worthless stocks and other securities. SIPC helps individuals whose money, stocks and other securities are stolen by a broker or put at risk when a brokerage fails for other reasons.

TERMS OF SIPC HELP

Customers of a failed brokerage firm get back all securities (such as stocks and bonds) that already are registered in their name or are in the process of being registered. After this first step, the firm's remaining customer assets are then divided on a pro rata basis with funds shared in proportion to the size of claims. If sufficient funds are not available in the firm's customer accounts to satisfy claims within these limits, the reserve funds of SIPC are used to supplement the distribution, up to a ceiling of $500,000 per customer, including a maximum of $100,000 for cash claims. Additional funds may be available to satisfy the remainder of customer claims after the cost of liquidating the brokerage firm is taken into account.

TEL 949.581.4988 FAX 949.581.9785 WEB accellpm.com
23046 Avenida de la Carlota, Suite 700, Laguna Hills, CA 92653

Concerns with Board Members' Private Information Being Required on Bank Signature Cards for Association Accounts

Question:

Our board members are being asked to supply our personal social security numbers. This always makes me feel uncomfortable but I always do it anyway. Thankfully, it has never back fired on me.

Is there any way of getting around this?

Answer:

This is becoming more and more of a concern for our board members and I fully empathize with them. Largely due to the Patriot Act banks and financial institutions have been required to tighten their security around the funds they hold. This has resulted in banks and financial institutions requiring more personal & confidential information for the signers on accounts. If releasing this confidential information concerns you, there are a couple of alternatives to consider. At Accell we were able to work with US Bank to use our company's information to satisfy the bank's requirements to comply with the Patriot Act in place of board members having to provide their private info. The limitation to this is that the Association will want to keep their funds under $100,000 to have the money protected by FDIC insurance. Once the community has accumulated more then $100,000 they will need to find another institution to start placing funds.

For those communities with over $100,000 in investments, another option is to move the funds to a brokerage account such as Merrill Lynch or Smith Barney. Since a brokerage can spread the investment over multiple banks to purchase CD's or treasury bills, the brokerage can insure that unlimited funds are always protected by FDIC insurance. Initially the brokerage will need to ask for personal information. However this will be a one-time occurrence (unless the board changes) and the board members will not have to continually divulge their private information each time the association needs to make a new investment. Additionally, the board can request the financial representative from the brokerage house to attend a meeting at which each board member can sit down separately with the representative and provide their confidential information without having to share it with other board members, the property manager or worry about it laying around on some desk at the property management company.

Lastly, not all board members need to be on the bank signature cards. Although it may be preferred in some cases, there are no laws that require it and it is not typically required in the governing documents. Therefore, if a board member feels uncomfortable providing confidential information, then they may elect to opt out of being a signer on the account and withhold their information. However, the Association will need a least two board members to act as signers on reserve accounts to comply with California Civil Code requirements.

Steve Feistel, PCAM®
Accell Property Management, Inc.

TEL 949.581.4988 FAX 949.581.9785 WEB accellpm.com
23046 Avenida de la Carlota, Suite 700, Laguna Hills, CA 92653

Accell's Financial Reference Guide

Board Duties when Borrowing Reserve Funds for Operating Expenditures

California Civil Code Section 1365.5, C.2 states, "the board may authorize the temporary transfer of moneys from a reserve fund to the association's general operating fund to meet short-term cashflow requirements or other expenses, if the board has provided notice of the intent to consider the transfer in a notice of meeting, which shall be provided as specified in Section 1363.05. The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered. If the board authorizes the transfer, the board shall issue a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when and how the moneys will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer ... The board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section."

TEL 949.581.4988 FAX 949.581.9785 WEB accellpm.com
23046 Avenida de la Carlota, Suite 700, Laguna Hills, CA 92653