



BRISTOL MANAGEMENT NEWSLETTER

Services, Inc.

Winter 2008

MESSAGE FROM BRISTOL'S PRESIDENT - STEVE INGLIS, PCAM

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Nadine Inglis

COLLECTIONS

Many Association Board members are under a lot of stress because of financial problems within their Association. There are too many units with liens and going into foreclosure. The financial statements sometimes can be misleading because the assessments are listed as income (accrued), but delinquencies are shown as receivables until the foreclosures get booked as bad debt. This bad debt is something most Boards have not dealt with before.

Mortgage Foreclosure:

Once an owner stops paying their mortgage, the chances of them paying the Association are slim. The Association should place a lien on the unit, and do nothing but track the foreclosure via the attorney. You also may wish to research the mortgage on line to know approximately how much the mortgage is on the unit. This will tell the likelihood of the owner walking away from the unit. If the mortgage is greater than the current market value of the unit, the chances of the Association getting any relief doesn't look good.

You can review liability on the property and make an educated guess on the property value by going on-line in Palm Beach County - pbcgov.com/papa/, Martin County - mcpropertyappraiser.com and in St. Lucie County - pasc.org.

However, the second an attorney sends you a notice that the foreclosure case has been dismissed, the Association should move forward with foreclosure actions. With the new collection laws and the backlog, an uncontested foreclosure can take about 9 months, and longer if it is challenged.

Bristol is now tracking foreclosures. The Association's attorney needs to send regular updates, and the Board should keep an eye on this with the understanding that most Associations do not have big cushions. In theory, you should not use reserves for cash flow, but always pay the electric bill before funding a road reserve.

Bristol has now made it possible for any owner to pay their assessment on line with a credit card. We have been surprised by how many

owners have availed themselves to this service. The Association should not be an owner's bank, and this gives the homeowner another good option if they can't pay when the assessments are due.

Sample

Policy on Collection of Assessments

Purpose of Policy: Most of the Association's members pay their assessments on time, and this is very much appreciated. However, there is a small but significant number of members who, for whatever reasons, pay their assessments late most of the time. As a Board member, many of you know their names on the delinquency list. It is not fair to the owners who do pay on time to allow persistent late payments to continue. Late payments require substantial staff follow-up time and divert attention from other tasks. Late payments are often associated with properties that are involved with mortgage default. (Foreclosure).

Procedure for Collection of Assessments

1. Billing goes out quarterly; approximately 15 days before the first day of each quarter (i.e. December 15, March 15, June 15 and September 15).
2. Assessments are due on the 1st day of the first month of the quarter (i.e. January 1, April 1, July 1 and October 1). On approximately the 15th day after payment is due, the Association may, but is not required to, send out a reminder invoice.
3. If payment is not received within 30 days after due date (i.e. January 30, April 30, July 31 and October 31), the Association will send a letter to the delinquent owner informing them that the assessment is delinquent, and has now a late fee of and accrued interest, from the due date to the present at the rate of 18 percent per annum. This letter will be sent regular mail and certified mail/return receipt requested. The letter will indicate that if the full amount due, including interest, is not received within 15 days of the date of the Association's notice, the account will be turned over to the attorney

for collection action, and all attorneys fees and costs incurred will be responsibility of that unit owner.

4. Upon expiration of the above, the delinquent account will then be turned over to the Association's attorney for a 45 day demand letter. The Association's attorney must receive an up-to-date account statement (inclusive of all applicable interest calculations projected through the 45 day demand letter time frame), the property address in addition to a mailing address should it be different than that of the property. Upon expiration of the Association's attorney 45 day demand letter, the Association's attorney will then institute automatic lien proceedings against the property.

5. Upon recordation of the claim of lien, the Association's attorney will then send a 30 day intent to foreclose letter. Upon expiration of the intent to foreclose letter, the Association's attorney will inform the Association of same and at that time the Association will instruct the Association's attorney as to further action required (i.e. no action, small claims or foreclosure). Only upon receipt of written authorization to proceed will further legal action be taken on the account. In addition to the written authorization, up-to-date numbers associated with the account will be provided to the Association's attorney at that time.

NEW PORT ST. LUCIE OFFICE:

Bristol's new 3,000 sq. foot office is now open and operational at 543 NW Lake Whitney Place, Suite 101-102. Our additional office is located conveniently just east of I-95 at the St. Lucie West Boulevard exit down the road from Traditions Field where the New York Mets play. Go to Bristol's Website for exact directions. Please stop by and say hello and check out our newest state of the art facility.

www.bristolmanagement.com

Assessments are due on time whether or not an invoice is sent or received. The bills are sent as a "courtesy of convenience" to the owners, and not required by either the Documents or the Florida Statutes. Many associations have an acceleration clause in their Documents, or the Board may wish to amend the Declarations.

Acceleration:

In the event that any Member's assessment charge, or fee provided for in the declaration, or any monthly or other installment thereof remains unpaid for more than thirty (30) days of the due date thereof, the Board may, in its discretion, declare the entire remaining balance of such Member's annual assessment for that fiscal year immediately due and payable upon 30 days written notice to the Member to that effect. The Board may, in its sole discretion, by providing 30 days written notice of the same to the Member, unilaterally reverse its prior action, thereby returning to the original payment schedule, at which point the Member's annual assessment for that fiscal year shall no longer be immediately due and payable.

Other Payment Options:

ACH: Another option to make an Association payment is to sign up for ACH Service. ACH servicing is when the payment is drafted automatically from your bank and transferred to the Association's bank account the same day. If you wish to sign up for this service, please go to our Website and download the electronic payment form.

E-Rent: Also, Homeowners can pay their Association assessment that is due, 24 hours a day, 7 days a week online or by phone (866) 289-5977. Go to Bristol's Website for more information.

During these hard economic times, Bristol has tried to make it as easy as possible for an owner to pay their Association assessment.

BRISTOL'S BANKING RECOMMENDATION

While doing the quarterly billings this year with 160 associations and 15 different banks, it was agreed that working with 15 banks makes it extremely difficult for the Bookkeeping Department. Each bank has a different set of rules and web site cash management program. We have always wanted to allow each association to be able to choose their own banks, however, we are discovering that it takes a lot more time to communicate with each financial institution, plus banks have had to take major losses which have affected their bank security ratings.

Working with Kathy Karmazin, our Contoller, for 15 years, and 5 years of prior banking experience, we developed an R.F.P. and sent it to all of the banks. Based on the response, we have chosen four banks which the Board of Directors may choose. They are as follows and listed according to our R.F.P. rating:

**ANCHOR COMMERCIAL BANK
GULFSTREAM BUSINESS BANK
COMMUNITY ASSOCIATION BANC
SUNTRUST**

As you can imagine, just changing all of these accounts is a huge task, but we feel we have a fiduciary to all of our clients to provide this kind of information and guide them to the safest and best banking institutions available. In today's economy, we recommend choosing banks based on stability, services offered, interest rates and electronic capabilities with safety being the #1 concern. Bristol did a very comprehensive and thorough study of the bank responses received as you can see when you go on line to our Website and review the spread sheet.

Thanks for your help in this process.

Board members who wish to review our spread sheet on the bank responses may do so by going to Bristol Management's Website www.bristolmanagement.com.

NEW FINANCIAL LAYOUT

Due to the Sarbanes-Oxley Act auditing requirement, the C.P.A.'s now have new standards for the presentation of financials, and have increased the audit requirements for Generally Accepted Accounting Practice (G.A.A.P.) because of the Enron scandal. We consider this change to be a better presentation of the Reserve funds on the Balance Sheet so that you can see both the contribution and expenses in the Reserves. Also, the C.P.A. performing an audit must meet directly with the Board of Directors, and an Internal Control Management Plan will be prepared by both the Board of Directors and Management. Unfortunately, they are treating Condos and Associations like Enron which has also caused their fees to increase, and many C.P.A.s have stopped preparing full audits because of the time involved.

Reserves on the Balance Sheet have been combined to one fund balance for prior year balances of Reserves - Section 3501.

A separate Reserve Income/Expense statement has been created to track all revenues and expenses for the current year. The portion of the assessments that is for Reserves is separated and recorded to this report and any other income received for the Reserves.

A separate Reserve Schedule is attached every month giving the breakdown of every reserve component showing the beginning balance.

Also on this schedule is what has been funded or added to the Reserves, what has been spent from the Reserves, and the ending Reserve balances by type. The Annual Budget is on the schedule, as well as the monthly breakdown. We believe these changes will make the financials more transparent.

If you have any questions on how to read your statement, please have your Manager arrangement for a meeting.

Thank you for your understanding in this matter.

ARE COMMUNITY ASSOCIATIONS WORTH IT?

Homeowner and Condominium Associations provide all sorts of service. Many of these services were once thought of as government responsibilities. Associations were almost unheard of in the 1960's, but today 54.6 million people live in various neighborhood associations. That number is rapidly growing in most urban areas, because finding a single family lot is next to impossible. Associations would seem to have passed the market test, but not without controversy. Many owners complain about the restrictions imposed by associations i.e. exterior alterations, pets, parking, etc. Some don't like the Board and feel they should vote on all items.

Do Homeowner Associations affect property values?

In the Community Association Institute (CAI) research, it is not surprising the biggest factor is location, location, location. However, they also have found that **Homeowner Associations increase property values by 6.1%** more than similar homes located outside Homeowner Associations. It has been found that consumers value a three bedroom home in a Homeowner Association about as much as a four bedroom home without a Homeowner Association. Increased house value caused by Homeowner Associations is especially remarkable when you consider that residents of Homeowner Associations pay twice for many local services - once in taxes, and then again in Association fees. Associations need to vote as a block to better address equity of services. Associations are being forced to perform more and more services which were once considered government services, i.e. security, day care, schools and courts to arbitrate homeowner disputes. One large problem with Associations is that they can be dominated by vocal minorities and not maximize the interest of the silent majority.

Do Associations increase value because they offer better service than the Government?

Or do they increase house values because they offer services that the government cannot i.e. more restrictive zoning and greater security. Or is the government failing

to maximize returns for their citizens? Ideally, the knowledge provided by Associations could be used to improve efficiency for everyone.

GOOD PROPERTY MANAGEMENT

Property Managers have recently been plagued by realtors and homeowners giving incorrect information or making promises that the Manager has to straighten out. In addition, multi or "full-service" companies and low bidders are entering the scene causing dissatisfaction among associations and encouraging them to shop for cheap, and perhaps inadequate management.

These issues are hurting not only the property management industry, but also the associations. Boards are asking for trouble by shopping for the lowest and perhaps least qualified bidders.

Some companies offer a standard rate and guarantee reductions in an association's budget, without ever looking at the property or items concerning the property. They feel they'll make money on some and lose on others. I question the value of managing an association that will cause you to lose money.

Good management companies know their costs and can estimate how much it will take to do a job correctly taking into consideration an association's size, operating procedures, and the time and attention it will require to do the job right.

Moreover, the management company is the vital link in the chain of a community's history and can bridge the continuity gap between boards from year to year. Those associations that frequently change management companies violate one of the basic reasons for using a property management firm, continuity.

Good managers are professionals, and like everything else, you get what you pay for. If an association isn't willing to pay for professionals, the management companies are forced to enter other areas to offset their costs such as sales, "full service," or just poor service.

OWNERS LEARN THE RESPONSIBILITY OF BEING A BOARD MEMBER

Bristol hosted two (2) Annual Seminars which are designed to help homeowners who serve on the Board of Directors become better and more knowledgeable Board members for their Association. Approximately 50 Directors attended each of the Seminars which were held at the Martinique Clubhouse in Abacoa on Saturday, November 17th, 2007 and on December 1st, 2007 at Traditions in Port St. Lucie.

There were four speakers who participated.

The first speakers were Gary Fields, Esq. at Abacoa and Lou Caplan, Esq. at Traditions. They spoke on today's current legal concerns – Collections and Foreclosures being the biggest concern, rule enforcement, Board authority, the owners' right to speak, and finally, the Board needs to use good business judgment in running the Association.

The second speakers were James N. Krivok, Esq. at Abacoa, the litigator for Dicker, Krivok and Stoloff, P.A., and George Bush, Esq. at Traditions. Their topic was Turnover of Associations from Developer control to the owner. The most difficult task is getting the Developer to fulfill their obligation. Since Levitt filed bankruptcy, and DiVosta became Pulte, the process is becoming more and more difficult. The first process is to engage a professional engineering firm to perform a CPA Transition Audit, and work with your management company and the Association's attorney in an attempt to negotiate a settlement. The Transition Audit and Engineer's report must be done by a professional and then a 558 claim of construction defect case which gives the Developer 120 days to respond. With the slow economy, the Developer may form a shell corporation for that particular Developer. Then you have to pierce the corporate veil. Many Developers are intentionally dragging out the process. At the end of the day, the Board needs to be prepared to compromise.

The third speaker was Kathy Karmazin, at both locations. After 16 years as the Comptroller for Bristol Management, Kathy gave a detailed power point presentation with color coded financials explaining how to read a financial statement. It is important for Board members to read a financial statement to help them make informed decisions and to understand the difference between cash flow, accrual accounting and prepaid insurance.

The last speaker at both locations was Steve Inglis, President of Bristol Management who has 32 years of experience in property management. Steve addressed the challenges of the Board of Directors. One of the main challenges today is the large number of foreclosures and how they affect the Association's cash flow. Another result of foreclosures the Association is dealing with is the fact that non-maintained homes affect the property values by over 1% for every home in foreclosure in the community. Also discussed were changes in the statutes of homeowner association reserves, controlling the condo commando, and using parliamentary procedures.

Everyone present was appreciative for the vast information presented, and the time taken to have the Bristol Seminar

VIDEO CONFERENCING NOW AVAILABLE

Because so many of our communities have owners

who wish to serve on the Board, but are not year-round residents, we have arranged both of our Conference Rooms (Jupiter and Port St. Lucie) to have video conferencing capability. This is a great way to allow absent Board members to attend the Board Meetings. With a little more than a browser and an internet connection, owners will be able to attend from their desktop along with live interaction applications, documents and presentation can be shared.

Owners may view or edit documents in real time, work out the budget or take a poll and communicate without the hassle or expense of traveling. Attendees can click on a link in an email to join a meeting or go to the branded meeting site and find it. Integrated audio conferencing services with the Web Ex create the best experience with the web meeting.

An application tour is available; along with testing your equipment and any downloads you may need at www.webex.com.

BRISTOL'S SURVEY RESULTS

We want to thank all of you who took the time to respond to our Survey included in our Fall Newsletter 2007. Overall, the Board members felt Bristol was above average, and our availability and quality of our staff's response scored above average.

I think we need greater visibility on property and we need to improve the distribution of Board packages to the Board members in a more timely manner before meetings. The quality of the Board packages scored high. We also noted that the Board members want to review the financials as close to the 15th of the month as possible, which is one of the reasons we are trying to decrease the number of banking institutions we are dealing with, so that we may become more efficient in our timelines. However, the overall quality of the financials scored high, and most could understand them.

Surprising to us, a lot of Board members have not yet visited our Website which can be used as a tool to help Board members run their Association.

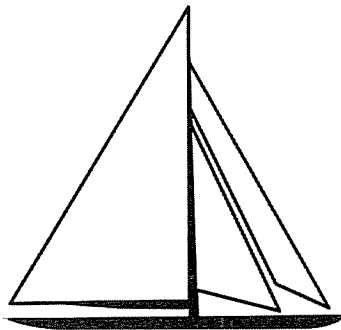
We have spent much time developing the Website and have made it as transparent as possible. We know the realtors use it all the time, and we are asking everyone to look at it and make recommendations.

Finally, most Board members felt Bristol Management did bring value to their community.

BRISTOL MANAGEMENT SERVICES, INC.

Professionals in Property Management

Maintaining Communities in "Bristol" Condition



The sailboat is the Bristol symbol for what we represent:

Dedication to providing our pledge of excellence to our employees, to our homeowners and their Board of Directors.

The "**HULL**" of the sailboat represents support - support services from departments such as Human Resources, Customer Service, Accounting Department, Real Estate Specialist and Information/Technology Services

The single main "**MAST**" represents our Offices, holding fast to the "**HULL**", rising tall to support the main sail.

The main "**SAIL**" represents our management teams - Community Managers, Administrative Assistants, Service Personnel, Bookkeepers and many other support personnel who assist in the operation of our communities.

The "**WIND**" that fills the sails is our homeowners - without whom we would not sail.

Finally, the Bristol "**BANNER**" flies atop the main "**MAST**" as our proud reminder of who we are and what we represent.

Place
Postage
Here

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