

Association Financial Update

November 2010

Dear Unit Owners:

The following is an end of the year financial review provided by the Board of Directors. To begin, we are most happy to report the association is financially sound. At the beginning of October 2010, the association had approximately \$550,000 of cash in the bank, including over \$400,000 in the reserve fund. The Board has been diligent in complying with Florida State Statutes 718 which mandates that associations allocate funds in a reserve account for future repairs or replacement of expendable components on the property. These include, but are not limited to: equipment, painting and waterproofing, pavement and roof.

At the recommendation of our treasurer, the Board unanimously agreed to send a vote out to all unit owners in order to vote on suspending deposits into the reserve from September 2010 through December 2010 (we deposit \$ 20,000 monthly in the reserve fund, for a total of \$80,000). This action was taken to meet the unexpected expenditures that had not been anticipated when the budget for 2010 had been approved. On January 1st, 2010 we had a total of \$ 307,000 in the reserve fund. At the meeting that took place on Tuesday, October 26, 2010, the unit owners approved a partial waiver of the reserve by a vote of 38 in favor and 1 against.

The reasons the board called for the vote are:

- The unexpected increase in insurance premiums
- The delinquency of some unit owners
- The cost of engineering relating to the developer construction issues
- The cost of the Association's construction attorney

The board approved the change of insurance carriers on the recommendation of an independent insurance consultant and the association's general matters attorney. The previous insurance policy did not mention coverage of glass. Moreover, the previous insurance company has a history of associations filing lawsuits against them in order to have claims paid out. In turn, the board changed insurance companies.

We have had as many as five units in bank foreclosure and three units that have been delinquent in paying their maintenance fees past 90 days.

The additional expenses in engineering cost were due to the lack of thoroughness in the original engineering report provided by the association's previously hired engineering company; in turn, the board hired another engineering company.

Due to the developer's lack of responsible response to the board's multiple demands for resolution, it was necessary to continue to work with the association's construction attorney Steve Lesser.

In closing, the board continues to work diligently to assure the financial soundness of the association.

Thank you for your continued support,

The Board of Directors