

RESOLUTION ESTABLISHING POOLED RESERVES

GULF HORIZONS CONDOMINIUM ASSOCIATION, INC.

EXPLANATION: Florida's law permits condominium associations to implement so-called "pooling" or "cash flow" funding of reserves. The theory of cash flow funding of reserves is that the association can contribute lower amounts, at least in certain years, to required reserve funds, and theoretically still have adequate funds on hand when required reserve items (pavement resurfacing, building repainting, building re-roofing, and other items exceeding \$10,000.00 in capital expense or deferred maintenance cost) require deferred maintenance or a capital expenditure. The Board recommends voting "in favor" of this Resolution.

WHEREAS, Section 718.112(2) (f) 2, 3 and 4 of the Florida Condominium Act provides impertinent part:

2. In addition to annual operating expenses, the budget must include reserve accounts for capital expenditures and deferred maintenance. These accounts must include, but are not limited to, roof replacement, building painting, and pavement resurfacing, regardless of the amount of deferred maintenance expense or replacement cost, and for any other item that has a deferred maintenance expense or replacement cost that exceeds \$10,000. The amount to be reserved must be computed using a formula based upon estimated remaining useful life and estimated replacement cost or deferred maintenance expense of each reserve item.

...

3. Reserve funds and any interest accruing thereon shall remain in the reserve account or accounts, and may be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote at a duly called meeting of the association. ...

4. The only voting interests that are eligible to vote on questions that involve waiving or reducing the funding of reserves, or using existing reserve funds for purposes other than purposes for which the reserves were intended, are the voting interests of the units subject to assessment to fund the reserves in question. ... and;

WHEREAS, Rule 61B-22.003(1) (f), Florida Administrative Code provides:

(f) If the association maintains a pooled account for reserves required by Section 718.112(2) (f) 2, Florida Statutes, the association shall include a separate schedule of any pooled reserves with the following minimum disclosures:

1. The total estimated useful life of each asset within the pooled analysis;
2. The estimated remaining useful life of each asset within the pooled analysis;

3. The estimated replacement cost or deferred maintenance expense of each asset within the pooled analysis; and

4. The estimated fund balance of the pooled reserve account as of the beginning of the period for which the budget will be in effect; and

WHEREAS, the Association wishes to change from "straight line" funding of statutory reserves and switch to "pooling" or "cash flow" funding of reserves per the aforementioned Rule; and

WHEREAS, a majority of the Unit Owners (once a quorum is established) must approve implementation of "pooled" reserves to the extent existing straight line statutory reserve funds are placed into the "pool;" and

WHEREAS, if the unit owners vote to implement "pooled" reserves, the existing reserves will be placed into the "pool."

NOW THEREFORE, it is resolved as follows:

1. The Board of Directors is recommending that the Association switch from "straight line" funding of reserves to "pooled" or "cash flow" reserves for the 2016 fiscal year.

2. The members hereby authorize the Association to immediately utilize "pooled" reserves, also known as reserves funded pursuant to the "cash flow" method.

3. By adoption of "pooled" reserve funding, the Board of Directors is authorized, without further vote of the owners, to schedule future reserve funding based upon "cash flow" funding projections, to place current "straight line" reserve funds and those accruing through the date of the adoption of this Resolution in the "pool," and to utilize existing or future reserve funds, as may be necessary, for capital expenditures or deferred maintenance relative to any item in the pool.

4. This Resolution does not authorize the use of reserve funds for items outside of the pool, nor a waiver of the full funding of reserves on a pooled basis.

This Resolution was considered at the Special Membership Meeting of the Association held March 28, 2016. There were _____ votes in favor of the Resolution and _____ opposed.

GULF HORIZONS CONDOMINIUM
ASSOCIATION, INC.

By: _____
_____, President

Date: _____

GULF HORIZONS CONDOMINIUM ASSOCIATION, INC.

MEETING BALLOT

The undersigned, being either all the owners of, or the designated voting owner of Unit No. ____ in Gulf Horizons, a Condominium, hereby constitute and appoint the Secretary of the Association, his or her designee or _____, as (our) (my) proxy-holder to attend the meeting of the members of Gulf Horizons Condominium Association, Inc. to be held **March 28, 2016 at 9:00 a.m. at the Clubroom**. The proxy-holder named above has the authority to vote and act for me to the same extent that I would if personally present, with power of substitution, except that my proxyholder's authority is limited as indicated below:

Limited Powers (FOR YOUR VOTE TO BE COUNTED ON THE FOLLOWING ISSUE, YOU MUST INDICATE YOUR PREFERENCE IN THE BLANKS PROVIDED BELOW.)

I hereby specifically authorize and instruct my proxy to cast my vote in reference to the following matters only as indicated below.

1. Do you approve the Resolution Establishing Pooled Reserves which is attached to this proxy as Exhibit A?

_____ **Yes**

_____ **No**

The undersigned ratifies and confirms any and all acts and things that the proxy may do or cause to be done in the premises, whether at the meeting referred to above or at any change, adjournment or continuation of it and revoke all prior proxies previously executed.

Date

Signature(s) of Owners or Designated Voter

THIS PROXY IS REVOCABLE BY THE ABOVE SIGNATORY AND IS VALID ONLY FOR THE MEETING FOR WHICH IT IS GIVEN AND ANY LAWFUL ADJOURNMENT. IN NO EVENT IS THE PROXY VALID FOR MORE THAN NINETY (90) DAYS FROM THE DATE OF THE ORIGINAL MEETING FOR WHICH IT WAS GIVEN.

MEETING BALLOT

GULF HORIZONS CONDOMINIUM ASSOCIATION, INC.

SPECIAL MEMBERSHIP MEETING

March 28, 2016

1. Do you approve the Resolution Establishing Pooled Reserves which is attached to this Ballot?

_____ **Yes**

_____ **No**

Owner(s) or Designated Voter Sign Here:

By: _____

Print Name: _____

Date: _____

By: _____

Print Name: _____

Date: _____

Unit No. _____