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FILE COPY

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March 17, 1997

HAND DELIVERY

Ms. Blanca S. Bayo
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Docket No. **970076-WS**
Joint application for transfer of Sailfish
Point Utility Corporation, utility assets, and
Certificates Nos. 394-W and 335-S from Sailfish
Point, Inc. to Sailfish Point Service Corporation
in Martin County, Florida

Dear Ms. Bayo:

Enclosed for filing are an original and fifteen copies of a
March 17, 1997 letter to N.D. Walker and attachments, in response
to Mr. Walker's January 30, 1997 deficiency letter.

Please acknowledge receipt of the foregoing by stamping the
enclosed extra copy of this letter and returning same to my
attention.

Very truly yours,

B. Kenneth Gatlin

- ACK _____
- AFA _____
- APP _____
- CAF _____ BKG/met
- CMU _____
- CTR _____
- EAG _____
- LEI: 1
- LIN: 5
- OPR _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

cc: Tim Vaccaro, Esquire, Div. of Legal Services
N.D. Walker, Div. of Water and Wastewater

RECEIVED & FILED

REC'D - DUFEA LCP

DOCUMENT # M 176
02765 MAR 17 97
FPSC-RECORDS/REPORTING

GATLIN, SCHIEFELBEIN & COWDERY, P.A.

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**The Mahan Station
1709-D Mahan Drive
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March 17, 1997

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Point Utility Corporation, utility assets, and
Certificates Nos. 394-W and 335-S from Sailfish
Point, Inc. to Sailfish Point Service Corporation
in Martin County, Florida

Dear Mr. Walker:

In response to your letter of January 30, 1997, we offer the following:

1) The signed DEP Exhibit J relating to compliance with DEP standards.

2) A copy of the combined financial statement and independent auditor's report for Sailfish Point Property Owners and Country Club Association and its affiliates for the years ending January 30, 1995 and 1996.

3) The Articles of Incorporation of Sailfish Point Service Corporation. You will note that the articles were filed with the Florida Department of State on January 17, 1997. A copy is enclosed. Please note that on page 3 paragraph f and in paragraph i on page 4, the corporation has the specific authority to assess its members for expenses when the need arises as specified therein.

4) The Association does not have any workpapers mentioned in your letter of January 30, 1997.

DOCUMENT NUMBER-DATE

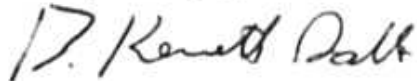
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FPSC-RECORDS/REPORTING

Letter to N.D. Walker
March 17, 1997
Page 2

Please let me know if you have any questions.

Very truly yours,

A handwritten signature in cursive script, appearing to read "B. Kenneth Gatlin".

B. Kenneth Gatlin

BKG/met

Enclosures


cc: Tim Vaccaro, Esquire
Division of Legal Services

Exhibit J

FINANCIAL AND TECHNICAL INFORMATION
SYSTEM IN COMPLIANCE WITH
DEPARTMENT OF ENVIRONMENTAL PROTECTION STANDARDS

The Sailfish Point Property Owners and Country Club Association, Inc. is satisfied that as of the date of this application and after reasonable investigation, the Sailfish Point Utility Corporation water and wastewater systems appear to be in satisfactory condition and are in compliance with all applicable standards set by the Department of Environmental Protection.

2/26/97
Date


Harold R. Hansen
President
Sailfish Point Property Owners and
Country Club Association, Inc. and
Sailfish Point Service Corporation

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates**

*Combined Financial Statements and
Independent Auditors' Report*

Years Ended June 30, 1996 and 1995

CONTENTS

	<u>Page</u>
Independent Auditors' Report	i
Financial Statements	
Combined Balance Sheets	1
Combined Statements of Support, Revenue and Expenditures	2
Combined Statements of Changes in Fund Balances	3
Notes to Combined Financial Statements.....	4
Supplemental Information	
Independent Auditors' Report on Supplemental Information.....	13
Combined Schedules of Expenditures.....	14
Supplemental Information on Future Major Repairs and Replacements.....	16



Mehlich, Roegiers, Goldin & Co. Certified Public Accountants

701 Colorado Ave., P.O. Box 3239, Stuart, Florida 34995 (407) 283-7444 • FAX (407) 283-7446

INDEPENDENT AUDITORS' REPORT

Board of Directors and Members
Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Stuart, Florida

We have audited the accompanying combined balance sheets of Sailfish Point Property Owners' and Country Club Association, Inc. (a Florida corporation) and Affiliates, as of June 30, 1996 and 1995 and the related combined statements of support, revenue and expenditures and changes in fund balances for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Association did not present statements of cash flows for the years ended June 30, 1996 and 1995. Presentation of such statements summarizing the Association's operating, investing and financing activities is required by generally accepted accounting principles (see Note I).

In our opinion, except that the omission of statements of cash flows results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Sailfish Point Property Owners' and Country Club Association, Inc., and Affiliates, as of June 30, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Mehlich Roegiers Goldin & Co.

October 17, 1996

Sailfish Point Property Owners' and Country Club Association, Inc., and Affiliates
Combined Balance Sheets
June 30, 1996 and 1995

	PROPERTY OWNERS' ASSOCIATION					Townhouses at Sailfish Point	TOTALS	
	General	Reserve	Transition	Fixed Asset			1996	1995
	Fund	Fund	Fund	Fund				
Assets								
Cash and Cash Equivalents	\$ 145,890	\$ 17,482	\$ 48,449	\$ —	\$ 555	\$ 212,376	\$ 620,424	
Restricted Cash								
Builders Escrow	62,500	—	—	—	—	62,500	60,000	
Sailfish Point Yacht Club	34,482	—	—	—	—	34,482	36,771	
Transition Settlement	—	1,303,909	—	—	—	1,303,909	—	
Accounts Receivable—Owners (net)	96,312	236,000	—	—	9,023	341,335	95,769	
Receivable From Developer	38,845	—	—	—	—	38,845	16,982	
Due from Affiliates	12,520	—	—	—	—	12,520	9,901	
Inventories	105,069	—	—	—	—	105,069	78,620	
Prepaid Insurance	181,376	—	—	—	12,289	193,665	102,563	
Property, Improvements and Equipment (net)	—	—	—	6,010,999	—	6,010,999	5,581,347	
Other Assets	22,502	—	—	—	—	22,502	14,720	
TOTAL ASSETS	\$ 699,496	\$ 1,557,391	\$ 48,449	\$ 6,010,999	\$ 21,867	\$ 8,338,202	\$ 6,617,097	
Liabilities								
Accounts Payable	\$ 163,384	\$ 86,997	\$ —	\$ —	\$ 3,071	\$ 253,452	\$ 83,724	
Unearned Assessments	2,500	—	—	—	—	2,500	—	
Due to Affiliates	34,482	—	—	—	—	34,482	36,771	
Accrued Liabilities	242,890	—	—	—	—	242,890	142,598	
Builders' Escrow Liability	62,500	—	—	—	—	62,500	60,000	
Credit Line	1,000	—	—	—	—	1,000	—	
Capitalized Lease Obligations	7,782	—	—	—	—	7,782	11,004	
	<u>514,545</u>	<u>86,997</u>	<u>—</u>	<u>—</u>	<u>3,071</u>	<u>604,613</u>	<u>334,097</u>	
Fund Balances								
Designated for Contingencies	100,000	—	—	—	—	100,000	100,000	
Designated for Transition Fees	—	—	48,449	—	—	48,449	115,659	
Designated for Future Major Repairs, Replacements and Transition Settlement Agreement	—	1,470,394	—	—	—	1,470,394	385,742	
Undesignated	84,951	—	—	6,010,999	18,796	6,114,746	5,681,599	
	<u>184,951</u>	<u>1,470,394</u>	<u>48,449</u>	<u>6,010,999</u>	<u>18,796</u>	<u>7,733,589</u>	<u>6,283,000</u>	
TOTAL LIABILITIES AND FUND BALANCES	\$ 699,496	\$ 1,557,391	\$ 48,449	\$ 6,010,999	\$ 21,867	\$ 8,338,202	\$ 6,617,097	

Read Accompanying Notes

MRG
&CO

Sailfish Point Property Owners' and Country Club Association, Inc., and Affiliates
Combined Statements of Support, Revenue and Expenditures
Years Ended June 30, 1996 and 1995

	PROPERTY OWNERS' ASSOCIATION				Townhouses at Sailfish Point	TOTALS	
	General Fund	Reserve Fund	Transition Fund	Fixed Asset Fund		1996	1995
Support							
Owners' Assessments	\$ 2,704,821	\$ 336,707	\$ 125,000	\$ —	\$ 155,112	\$ 3,321,640	\$ 3,021,730
Developer's Assessments	80,640	10,038	—	—	—	90,678	164,112
Special Assessment—Transition Settlement Agreement	23,150	2,072,850	—	—	—	2,096,000	—
Reimbursements from Developer	—	—	—	—	—	—	—
Dredging	25,000	—	—	—	—	25,000	—
Architectural Review Committee Expenses	20,452	—	—	—	—	20,452	39,662
Capital Expenditures	—	—	—	—	—	—	53,796
Total Support	2,854,063	2,419,595	125,000	—	155,112	5,553,770	3,279,300
Revenue							
Food and Beverage Sales (net)	527,722	—	—	—	—	527,722	489,815
Services (net)	104,551	—	—	—	—	104,551	102,817
Marina Sales (net)	79,247	—	—	—	—	79,247	—
Tennis Shop Sales (net)	27,930	—	—	—	—	27,930	25,895
Irrigation Water and Meter Sales (net)	87,130	—	—	—	—	87,130	83,786
Fees and Late Charges	41,865	—	—	—	1,123	42,988	26,386
Interest Income	13,261	11,004	4,234	—	14	28,513	27,270
Refunds and Other Nonrecurring Income	16,933	—	—	—	—	16,933	13,108
Other Income	3,218	3,000	—	—	—	6,218	9,874
Loss on Disposal of Assets	—	—	—	(377,175)	—	(377,175)	(8,783)
Total Revenue	901,857	14,004	4,234	(377,175)	1,137	544,057	770,168
Total Support and Revenue	3,755,920	2,433,599	129,234	(377,175)	156,249	6,097,827	4,049,468
Expenditures							
Personnel	2,312,515	—	—	—	—	2,312,515	2,219,086
Operations	838,144	—	—	—	112,781	950,925	827,555
Administration	580,541	—	—	—	32,214	612,755	597,761
Depreciation and Amortization	—	—	—	283,550	—	283,550	285,387
Capital Expenditures	7,854	—	—	—	—	7,854	5,374
Reserve Expenditures	—	815,940	—	—	—	815,940	399,631
Transition Settlement Expenditures	—	533,007	—	—	—	533,007	—
Dredging	25,000	—	—	—	—	25,000	—
Transition Fees	—	—	196,444	—	—	196,444	108,073
Total Expenditures	3,764,054	1,348,947	196,444	283,550	144,995	5,737,990	4,442,867
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER EXPENDITURES	\$ (8,134)	\$ 1,084,652	\$ (67,210)	\$ (660,725)	\$ 11,254	\$ 359,837	\$ (393,399)

Read Accompanying Notes



Sailfish Point Property Owners' and Country Club Association, Inc., and Affiliates
Combined Statements of Changes in Fund Balances
Years Ended June 30, 1996 and 1995

	PROPERTY OWNERS' ASSOCIATION				Townhouses at Sailfish Point	TOTALS	
	General Fund	Reserve Fund	Transition Fund	Fixed Asset Fund		1996	1995
Fund Balance, Beginning of Year	\$ 192,710	\$ 385,742	\$ 115,659	\$ 5,581,347	\$ 7,542	\$ 6,283,000	\$ 6,403,259
Excess (Deficiency) of Support and Revenue Over Expenditures	(8,134)	1,084,652	(67,210)	(660,725)	11,254	359,837	(393,399)
Capitalization of Fixed Asset Acquisitions.....	—	—	—	1,090,752	—	1,090,752	273,140
Transfer of Proceeds from Disposal of Assets.....	375	—	—	(375)	—	—	—
Fund Balance, End of Year.....	\$ 184,951	\$ 1,470,394	\$ 48,449	\$ 6,010,999	\$ 18,796	\$ 7,733,589	\$ 6,283,000

Read Accompanying Notes



**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates**
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995



NOTE A—SUMMARY OF ACCOUNTING POLICIES

Sailfish Point Property Owners' and Country Club Association, Inc. (the Association), a.k.a. Sailfish Point POA, is a Florida corporation organized to own, manage, operate and maintain common area property at Sailfish Point, a residential community developed by Sailfish Point, Inc. (the Developer), a subsidiary of Mobil Land Development Corporation. Sailfish Point is located on Hutchinson Island in Martin County, Florida.

Membership in the Association is required of all owners of residential units at Sailfish Point. The unit development was modified in prior years to allow for a maximum of 600 units. Control of the Association was turned over from the Developer to the members on December 31, 1995. At that time 68 unplatted units were eliminated. At year-end there were 530 units—524 units were held by owners and builders; six by the Developer. While the Developer retains certain rights and veto powers so long as the Developer owns property in Sailfish Point, the Developer no longer had voting control of the Board of Directors or control of the Association at June 30, 1996.

A summary of the Association's significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Principles of Combination

The combined financial statements include the accounts of Sailfish Point Property Owners' and Country Club Association and its affiliates, the Townhouses at Sailfish Point and Sailfish Point Security, Inc. A nominal amount of intercompany transactions have occurred during the year; these have not been eliminated in the combined presentation.

The accounts of the Townhouses at Sailfish Point have been combined with those of the Association in accordance with the Declaration of Protective Covenants and Restrictions for Sailfish Point. The accounts of Sailfish Point Security, Inc., have been combined because its operations fulfill direct responsibilities of the Association. The accounts of other affiliates have not been combined as they are not required by the Declaration nor fulfill direct responsibilities of the Association (see Note G).

2. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

3. Fund Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds according to major function classifications. The presentation includes the following fund categories:

GENERAL FUND—reflects the assessments and expenses associated with day-to-day operations. The General Fund also includes long-term debt and capitalized lease obligations. The Association has provided a contingency fund to cover any unbudgeted but necessary operating expenditures approved by the Board. Any contingency monies not expended during the year are carried forward to future years.

RESERVE FUND—consists of assessments collected to fund major repairs and replacements of existing property and equipment and new acquisitions of capital assets. From time to time, the

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995**



Association also sets aside amounts in the Reserve Fund in anticipation of future large expenditures. The Reserve Fund is currently segregated into four subsidiary funds:

1. The *capital reserve subfund* is used to collect assessments to fund repairs and replacements of existing property and new acquisitions of capital assets.
2. The *club renovations subfund* is used to collect assessments designated for clubhouse renovations in the summer of 1996.
3. The *transition settlement subfund* is used to collect assessments pertaining to the purchase of capital assets and other related expenditures as a result of and required by the transition settlement agreement with the Developer.
4. The *marina reserve subfund* is used to collect assessments to fund repairs and replacements of existing marina property and new acquisitions of marina capital assets.

TRANSITION FUND—consists of assessments collected to fund costs associated with the transition of control from the Developer to the members. These amounts are being used primarily for legal, engineering, consulting and related fees and administrative expenses leading up to the point of turnover, not costs associated with the actual transition of property (see RESERVE FUND above). Assessments are collected only from members, with no amounts being funded by the Developer or from assessments from residential units owned by the Developer.

FIXED ASSET FUND—records the Association's investment in personal property and equipment, revenue generating common area real property, and the depreciation and amortization associated with these assets.

4. Inventories

Inventories primarily consist of food and beverage stocks, tennis merchandise, and marina merchandise and are stated at lower of cost (first-in, first-out method) or market.

5. Common Property

On June 30, 1996 and 1995, the Association held title to or had effective ownership of common property consisting of a clubhouse, spa, tennis courts, related land and facilities, the guard gate house, land improvements, roads, street lighting, and various vehicles and maintenance equipment. In March 1996, as part of the transition settlement agreement with the Developer (see Note J), the Association purchased the marina from Sailfish Point, Inc. Property consists of a building, vehicles, docks and related land and facilities. The Association is responsible for preserving and maintaining these properties. Real property owned by the Association may be disposed of only with the approval of the Board of Directors and two-thirds of the voting membership. In conformity with industry practice, the Association's audited financial statements recognize the following common property as assets:

- a. *Common personal property*, including vehicles and equipment, and
- b. *Common real property* to which it has title or other effective ownership and that it (1) can dispose of for cash while retaining the proceeds or (2) is used to generate significant cash flows from non-members or from members on the basis of usage.

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates**
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995



Accordingly, the Association recognized the contribution by the Developer of the clubhouse, spa, and land on which they are built as assets at their value on the date the Association assumed effective ownership.

Other common real properties, primarily roads, street lighting and land improvements, are deemed to provide benefit to the individual owners and to increase the value of the property they own rather than to be of benefit to the Association. Accordingly, they are not recognized as assets on the Association's audited financial statements. These assets are recorded, however, on management's internal financial records.

Asset additions with a cost basis less than \$1,000 are expensed in the period they are purchased. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Property, improvements and equipment consisted of the following at June 30, 1996 and 1995:

	<u>1996</u>	<u>1995</u>
Country Club and Marina Buildings	\$ 4,849,609	\$ 4,643,409
Spa Facility	2,099,010	2,099,010
Country Club Renovations in Process	479,771	—
Improvements	410,450	819,730
Equipment	679,771	636,343
Furniture and Fixtures	245,509	197,568
Land—Marina	187,391	—
Vehicles and Boat	95,345	92,715
China Stock	<u>67,684</u>	<u>67,684</u>
Subtotal	9,114,540	8,556,459
Less Accumulated Depreciation	<u>(3,110,135)</u>	<u>(2,985,003)</u>
	<u>6,004,405</u>	<u>5,571,456</u>
Assets Under Capitalized Leases	16,485	16,485
Less Accumulated Amortization	<u>(9,891)</u>	<u>(6,594)</u>
	<u>6,594</u>	<u>9,891</u>
	<u>\$ 6,010,999</u>	<u>\$ 5,581,347</u>

6. Accounts Receivable—Owners and Allowance for Doubtful Accounts

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable from owners at the balance sheet date represent assessments and amounts charged on account due from members. The Association's declaration provides for various collection remedies for delinquent assessments including the filing of liens and foreclosing on the unit or lot owner.

Although the Association is empowered to place liens on the property of delinquent homeowners, its lien is subordinate to that of an institutional first mortgage; thus, when such mortgagee acquires a unit through foreclosure, any unpaid assessments and charges on the unit may become uncollectible.

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates**
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995



The allowance for doubtful accounts is based upon prior history of uncollectible accounts and management's judgment of the collectibility of accounts receivable at June 30, 1996 and 1995, as follows:

	<u>1996</u>	<u>1995</u>
Property Owners' Association.....	\$ 20,000	\$ 39,399
Townhouses at Sailfish Point.....	<u>3,500</u>	<u>—</u>
	<u>\$ 23,500</u>	<u>\$ 39,399</u>

7. Revenue Recognition

Assessments and reimbursements from the Developer are recognized on the period to which they relate. Revenue relative to sale of goods and services are recognized when earned.

NOTE B—ASSESSMENTS

The annual budget and related assessments are determined by the Board of Directors. As stated in the *Declaration of Protective Covenants and Restrictions* for Sailfish Point, assessments for unimproved residential units are one-half the assessment for an improved unit; assessments for unplatted units are one-fourth that of an improved unit. In February 1996, the Association also approved a special assessment of its 524 members (excluding the Developer) of \$4,000 each to fund the transition settlement agreement (see Note J). Of that special assessment, \$2,072,850 was allocated to the Reserve Fund for capital expenditures related to the purchase of the marina, the realty and the water utility from the Developer and \$23,150 to the general fund for the purchase of the inventory and the property taxes of the marina.

NOTE C—CASH AND CASH EQUIVALENTS

The Association considers short-term highly liquid investments that are readily convertible into known amounts of cash as cash equivalents. As stated in the bylaws, the Association may commingle its cash in a single bank or investment account or more than one account as determined by the Board of Directors. However, the Association maintains separate records for each fund for accounting purposes.

Cash and cash equivalents, after allocation of commingled funds, consisted of the following assets at June 30, 1996:

	<u>1996</u>			Townhouses at	
	General Fund	Reserve Fund	Transition Fund	Sailfish Point	Total
Cash.....	\$ 26,893	\$ —	\$ —	\$ 555	\$ 27,448
Money Market	175,979	820,391	48,449	—	1,044,819
Certificates of Deposit...	40,000	—	—	—	40,000
U. S. Treasury Bills	—	501,000	—	—	501,000
Less: Restricted Cash.....	<u>(96,982)</u>	<u>(1,303,909)</u>	<u>—</u>	<u>—</u>	<u>(1,400,891)</u>
	<u>\$ 145,890</u>	<u>\$ 17,482</u>	<u>\$ 48,449</u>	<u>\$ 555</u>	<u>\$ 212,376</u>

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates**
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995



Concentration of Credit Risk—Uninsured Cash

The Association has interest-bearing deposits in one commercial bank. At June 30, 1996, the Corporation's deposits exceeded federal depositor insurance coverage (FDIC) by approximately \$159,871. The Association also has money market funds held by the brokerage division at the same commercial bank. At June 30, 1996, the Corporation's deposits exceeded the securities investor protection insurance coverage (SIPC) by \$947. These amounts represent a concentration of credit risk required to be disclosed in accordance with SFAS No. 15. The Association believes it mitigates the risk of loss by depositing its cash in a major bank.

NOTE D—CREDIT LINE

The Association established a \$500,000 credit line with First Union collateralized by membership and accounts receivable. The outstanding balance at June 30, 1996, was \$1,000. The interest rate is adjusted every ninety days based on the U.S. Treasury Bill rate, plus 2.5%. The rate at year end was 8.0%. The commitment by the bank to extend additional funds expires October 31, 1996.

NOTE E—CAPITALIZED LEASE OBLIGATIONS

The Association leases telephone equipment under a capital lease which expires in June 1998.

A schedule of future minimum lease payments under the capital lease, including related sales tax, together with the present value of the net minimum lease payments is as follows:

For the fiscal year ending June 30,	
1997	\$ 4,744
1998	<u>4,348</u>
	9,092
Less amount representing interest	<u>(1,303)</u>
Present value of net minimum lease payments	<u>\$ 7,789</u>

NOTE F—RESERVE FUNDS

The Reserve Funds are designated for future major repairs and replacements of common area property and for other anticipated large expenditures. The Declaration of Protective Covenants and Restrictions for Sailfish Point requires the Association to provide for the repair and replacement of all common area property, but does not require that specific reserve funds be established.

Accumulated funds are held in separate accounts and are generally not available for operating purposes. At June 30, 1996 and 1995 year-ends, balances were allocated to the subsidiary funds described in Note A as follows:

	<u>1996</u>	<u>1995</u>
Transition Settlement Sub-fund.....	\$ 1,539,909	\$ —
Capital Reserve Sub-fund.....	369,527	385,742
Marina Reserve Sub-fund.....	3,000	—
Club Renovations Sub-fund	<u>(442,042)</u>	<u>—</u>
TOTAL RESERVE FUND	<u>\$ 1,470,394</u>	<u>\$ 385,742</u>

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates**
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995



The Association engaged an independent consulting firm who conducted a study in June 1994 to estimate the remaining useful lives and the replacement costs of the common property components, not including the common property of the Townhouses at Sailfish Point. The study recommends a funding level of \$285,000 per year through fiscal year 1998 and a level of \$216,000 per year, adjusted annually for inflation, thereafter.

For fiscal year 1996, the Association's Board of Directors approved a funding level of \$346,745, equivalent to the estimated combined cost of (1) major repairs and replacements expected to be completed during the year and (2) certain other capital acquisitions and expenditures included in the annual budget. The Board based this funding level on the expected cost of capital acquisitions and expenditures and on the study's estimate of current replacement costs, considering amounts previously accumulated in the designated reserve fund, which were greater than the amount projected by the reserve study. Because the funding level varies from the amount recommended by the study, and because actual expenditures may vary from the estimated amounts and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The designated funds are available for the major repair and replacement of all of the components of common property. At this time, the Board of Directors has not allocated the funds designated for future major repairs and replacements to the individual components identified in the study, nor are they required to do so under the *Declaration of Protective Covenants and Restrictions* for the Association.

NOTE G—RELATED PARTY TRANSACTIONS

Before transition took place, the Developer's policy was to reimburse the Association for all costs connected with dredging of the waterways through the purchase of dredged sand and most of the professional fees incurred by the architectural review committee. These reimbursements are identified separately in the accompanying Combined Statements of Support, Revenue and Expenditures. Dredging expenditures of \$25,000 for the year ended June 30, 1996, were reimbursed from the Developer.

The Association provides irrigation water and services, maintenance, accounting, personnel and courier service, to members of the Association, other related entities in the Sailfish Point community, and entities affiliated with the Developer. The Association also contracts with several of these related entities to receive utilities and other services.

Following is a summary of related party transactions (exclusive of Developer dues and reimbursements):

	1996		1995	
	Revenue	Expense	Revenue	Expense
Sailfish Point, Inc. (Developer).....	\$ 2,337	\$ —	\$ 2,000	\$ —
Sailfish Point Golf Club, Inc.	37,309	14,400	36,000	14,400
Sailfish Point Realty Corporation.....	23,740	—	23,740	—
Sailfish Point Utility Corporation.....	3,414	61,063	3,052	59,212
	<u>\$ 66,800</u>	<u>\$ 75,463</u>	<u>\$ 64,792</u>	<u>\$ 73,612</u>

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates**
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995



	1996		1995	
	Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
Sailfish Point Golf Club, Inc.	\$ 6,132	\$ —	\$ 4,607	\$ —
Sailfish Point Realty Corporation.....	3,955	—	2,093	—
Sailfish Point Utility Corporation.....	804	—	730	—
Sailfish Point Marina Corporation.....	—	—	602	—
Sailfish Point Yacht Club, Inc.	—	34,482	—	36,771
2800 S.E. Dune Drive Condominium Association, Inc.	1,071	—	710	—
2001 Sailfish Point Boulevard Condominium Association, Inc.	342	—	973	—
Ocean Isle Condominium Association, Inc.	216	—	186	—
TOTAL AFFILIATES	12,520	34,482	9,901	36,771
Sailfish Point, Inc. (Developer)	<u>38,845</u>	<u>—</u>	<u>16,982</u>	<u>—</u>
	\$ 51,365	\$ 34,482	\$ 26,883	\$ 36,771

NOTE H—INCOME TAXES

In accordance with Section 277 of the Internal Revenue Code (and related regulations), the Association is taxed at normal corporate rates on net income from membership activities that is not (1) carried forward to the subsequent year, (2) transferred to the reserve fund, (3) refunded to owners, or (4) offset by prior net losses from membership activities. The Association has incurred losses from membership activities in prior years totaling approximately \$351,253 which may be used to offset net income from membership activities in future years.

Receipts from non-membership activities, including investment income, restaurant revenue, tennis shop revenue, marina revenue, irrigation fees, and services revenue, net of related expenses, are taxed at normal corporate rates.

NOTE I—STATEMENT OF CASH FLOWS

As indicated in the Independent Auditors' Report (page i), the Association has not presented statements of cash flows because management, consistent with prior years, continues to believe that the cost of preparing these statements exceeds the benefits provided by their presentation.

NOTE J—TRANSITION SETTLEMENT AND SUBSEQUENT EVENT

Transition of control from the Developer of the Association to its members took place on December 31, 1995. The transition settlement agreement entails purchasing the (1) water utility for \$10 and 58 percent of any remaining initial hook-up fees, (2) realty for \$175,000 cash plus a balance of \$1 million to be paid out of the realty profits, (3) parcel of land, Parcel M, for \$850,000, and (4) marina for \$500,000. (Note that the marina was purchased before year-end at a cost of \$510,541, including \$478,391 for fixed assets and \$23,150 for inventory and property taxes.) Any marina operating deficit greater than \$100,000 will be borne by those who directly benefit from the marina and the waterways.

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Notes to Combined Financial Statements
Years Ended June 30, 1996 and 1995**



As part of the settlement, the Developer agreed to credit the Association \$500,000 on the purchase price of Parcel M in full consideration for any alleged defect or design errors, excessive charges, improper maintenance, inadequate facilities and any past, present or future obligations of the Developer and to remit to the Association \$437,500 cash (or the equivalent in sand) as a contribution to beach renourishment.

While the board had the authority to approve the settlement, it then requested a poll of members who voted in favor of the agreement in small group meetings held in February 1996. However, a small group of dissenting members filed suit to intervene in the settlement. The judge assigned to the case asked for written comments and a mail-in vote. A court hearing was scheduled for October 10, 1996, to voice comments and objections. In addition, another formal vote was held at a member's meeting on October 11, 1996. Both votes resulted in a majority of those voting favoring the transition settlement. The judge ruled favorably on the lawsuit in October. The Association plans to proceed with the transition as set forth in the settlement agreement.

SUPPLEMENTAL INFORMATION



Mehllich, Roegiers, Goldin & Co. Certified Public Accountants

701 Colorado Ave., P.O. Box 3239, Stuart, Florida 34995 (407) 283-7444 • FAX (407) 283-7446

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

Board of Directors and Members
Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Stuart, Florida

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combined schedule of expenditures on pages 13 and 14 is supplemental information presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The supplemental information on future major repairs and replacements on pages 15 and 16 is not a required part of the basic financial statements of Sailfish Point Property Owners' and Country Club Association, Inc., and Affiliates, but is supplemental information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Mehllich Roegiers Goldin & Co.
October 17, 1996

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Combined Schedules of Expenditures
Years Ended June 30, 1996 and 1995**



	1996 Property Owners Association	1995 Property Owners Sailfish Point	1996 Townhouses at Sailfish Point	1995 Townhouses at Sailfish Point
Operations—General Fund				
Maintenance and Repairs				
Mowing and Pruning Contract	\$ 104,336	\$ 90,023	\$ —	\$ —
Equipment	36,998	14,938	—	—
Maintenance Contracts	17,971	32,102	—	—
Tennis Courts	14,825	—	—	—
Buildings	14,500	15,350	65,949	12,306
Maintenance Garage Rent	14,400	15,629	—	—
Country Club	13,096	1,745	—	—
Vehicles	10,471	22,390	—	—
Roads, Streetlights and Walkways	10,151	9,221	—	8,222
Pool and Spa	5,378	14,400	8,662	8,662
Water Way and Docks	4,226	7,566	4,250	—
Security Cameras	1,919	1,500	—	—
Grounds	843	1,338	30,799	26,408
	<u>249,114</u>	<u>226,202</u>	<u>109,660</u>	<u>55,598</u>
Other Operating Expenses				
Electricity	128,937	114,233	2,887	2,091
Contract Services	63,602	44,722	—	—
Water and Sewer	61,945	52,907	234	887
Other Food and Beverage Expenses	57,514	54,378	—	—
Music and Entertainment	44,785	39,455	—	—
Restaurant Supplies	38,374	41,910	—	—
Propane Gas	27,751	24,004	—	—
Clubhouse and Table Decorations	27,110	42,200	—	—
Telephone	22,759	15,645	—	—
Equipment Rentals	21,140	18,220	—	—
Kitchen Supplies and Equipment	16,608	22,746	—	—
Equipment and Tool Expense	16,275	9,062	—	—
Vehicle Fuel and Oil	15,571	15,667	—	—
Animal Trapping and Relocation	15,227	15,053	—	—
Plants, Seed and Sod	7,695	5,713	—	—
Pool and Spa Supplies	6,643	6,902	—	—
Other Operating Expenses	5,710	8,038	—	—
Building Supplies and Maintenance	4,424	5,012	—	—
China, Glassware and Linens	3,171	4,313	—	—
Marina Equipment	3,000	—	—	—
Fertilizer and Chemicals	789	2,597	—	—
	<u>589,030</u>	<u>542,777</u>	<u>3,121</u>	<u>2,978</u>
	<u>\$ 838,144</u>	<u>\$ 768,979</u>	<u>\$ 112,781</u>	<u>\$ 58,576</u>

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Combined Schedules of Expenditures
Years Ended June 30, 1996 and 1995**



	1996 Property Owners Association	1995 Property Owners Sailfish Point	1996 Townhouses at Sailfish Point	1995 Townhouses at Sailfish Point
Personnel—General Fund				
Salaries and Wages	\$ 1,822,006	\$ 1,754,459	\$ —	\$ —
Employee Benefits	257,564	237,640	—	—
Payroll Taxes	200,324	194,899	—	—
Uniforms	19,715	21,817	—	—
Other Expenses	6,491	5,160	—	—
Temporary Help	6,415	5,111	—	—
	<u>\$ 2,312,515</u>	<u>\$ 2,219,086</u>	<u>\$ —</u>	<u>\$ —</u>
Administration—General Fund				
Insurance	\$ 255,386	\$ 257,780	\$ 24,674	\$ 26,749
Office Equipment, Supplies and Expenses	91,500	82,805	—	—
Taxes and Licenses	73,499	74,493	—	—
Professional Fees	47,322	25,892	3,958	4,283
Architectural Review Committee Expenses	44,228	48,662	—	—
Lease Payments	26,653	24,688	—	—
Employment Expenses	10,555	15,875	—	—
Bad Debts	9,285	19,785	3,500	—
Other Expenses	8,917	5,543	82	99
Membership Application Review Fees	6,875	2,738	—	—
Income Taxes	1,892	778	—	—
Education and Seminars	1,661	3,565	—	—
Interest Expense	1,528	2,131	—	—
Travel and Entertainment	1,240	1,095	—	—
	<u>\$ 580,541</u>	<u>\$ 566,630</u>	<u>\$ 32,214</u>	<u>\$ 31,131</u>

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Supplemental Information on Future Major Repairs and Replacements
June 30, 1996**



An independent consulting firm conducted a study in June 1994 to estimate the remaining useful lives and the replacement costs of the components of common property. The study was updated by management in October 1996 to reflect the implementation of certain major repairs and replacements completed after the date of the original study. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives, assuming an annual rate of inflation of 3.5 percent and interest at 2.5 percent, net of taxes, on amounts funded for future major repairs and replacements. The scope of the study specifically excludes plumbing, electrical wiring, telephone lines, and the possibility of environmental hazards, acts of nature, and construction defects. Structural aspects with indeterminable lives, such as building walls and foundations, also were excluded from the study. The study did not include the common property of the Townhouses at Sailfish Point, which maintains its own separate fund for future major repairs and replacements.

The following information is based on the study and presents significant information about the components of common property.

COMPONENT	Estimated Remaining Useful Life (years)	Estimated Future Replacement Cost
Decking/Walkway—Replace	8	\$ 39,856
Elastomeric Deck—Resurface (Clubhouse-Golf-HWH)	3	9,833
Indoor/Outdoor Carpet—Replace	0	1,050
Boardwalk Decking—Repair	1	24,946
Asphalt—Slurry Coat	0	91,363
Steam Generators—Replace	11	7,164
HVAC Units—Replace (Clubhouse)	9	126,070
A/C Unit—Replace (Beach Club)	0	3,749
A/C Unit—Replace (Security)	1	2,217
HVAC/AC Units—General Repairs	4	33,708
HVAC Units—Replace (Spa)	2	25,819
Light Fixtures—Replace (Street)	8	14,106
A/C Cooling Tower—Repair/Rebuild	1	5,544
Pumps & Valves—Replace (Various)	0	5,434
Pumps & Valves—Replace (Irrigation)	1	13,937
Awnings—Replace	1	24,103
Patio Furniture—Replace (Tennis)	0	4,954
Patio Furniture—Replace (Pool)	1	10,089
Play Equipment—Replace	2	5,738
Chain Link Fence—Replace (Tennis-Area 2)	2	14,803
Chain Link Fence—Replace (Tennis-Area 1)	9	28,834
Carpeting—Replace (Spa Building)	3	11,256
Carpeting (Clubhouse Downstairs)	0	31,494
Carpeting—Replace (Upstairs Offices)	0	4,499
Carpeting—Replace (Dining Area)	0	46,866
Roll Out Carpeting—Replace (Clubhouse)	0	2,869
Tile Flooring—Clean/RegROUT (Spa)	9	10,567
Hardwood Floor—Resurface (Clubhouse)	0	1,294
Vehicle Gate Mechanism—Replace (Security)	0	9,000
Video ID System—Replace (Clubhouse)	0	72,450
Large Water Heater—Replace (Clubhouse)	7	17,036

**Sailfish Point Property Owners' and
Country Club Association, Inc., and Affiliates
Supplemental Information on Future Major Repairs and Replacements
June 30, 1996**



COMPONENT	Estimated Remaining Useful Life (years)	Estimated Future Replacement Cost
Solar Hot Water—Replace (Clubhouse)	4	24,585
Water Heater/Tank—Replace (Clubhouse)	1	4,767
Appliances—Replace (Main Kitchen)	0	41,400
Walk In's Condensers—Replace (Clubhouse)	0	28,462
Appliances—Replace (Laundry)	1	10,712
Appliances—Replace (Prod. Kitchen)	1	18,746
Yogurt Machine—Replace (Kitchen)	0	12,855
Appliances (Beach Club Kitchen)	1	24,946
Ironer—Replace (Clubhouse)	3	13,658
Exercise Equipment—Replace (Clubhouse)	1	22,174
Furniture—Replace (Dining)	0	57,578
Furniture—Replace (Tennis)	1	4,435
Furniture—Replace (Clubhouse)	0	6,885
Furniture—Replace (Beach Club)	5	11,451
Sauna Heater—Replace (Spa)	1	1,393
Wallcovering (Clubhouse Downstairs)	1	11,248
Wallcovering—Replace (Spa Building)	1	2,250
Wallcovering (Dining Area)	0	7,130
Wallcovering (Upstairs Offices)	0	3,442
Windscreens—Replace	1	5,892
Window Treatments—Replace	1	14,344
Office Furniture—Replace	3	26,723
Office Equipment—Replace	1	6,210
IRR. Timeclocks—Replace	1	3,214
Fencing, Concrete Wall—Repaint	0	2,950
Stucco—Repaint	3	12,471
Pool—Remarcite	0	10,712
Pool Heater—Replace	3	2,375
Flat Roof, Asphalt/Gravel	1	34,011
Spa—Retile	0	7,231
Spa Heater—Replace	2	3,787
Tennis Court Grandstand—Replace	12	4,047
Tennis Court—Resurface	0	19,282
Utility Vehicle—Replace (Tennis)	5	9,903
Utility Vehicles—Replace (Security)	1	15,533
Utility Vehicles—Replace (Truck)	0	14,490
Maintenance Vehicles—Replace	0	18,746
Utility Vehicles—Replace (General)	2	16,631
Utility Vehicles—Replace (Club Cars)	5	33,397
Utility Vehicles—Replace (Security Alarm)	4	20,927
		\$ 1,291,641



FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

January 17, 1997

JAMES N. KRIVOK
ST. JOHN, DICKER & CAPLAN
500 AUSTRALIAN AVE., SO., STE. 600
WEST PALM BEACH, FL 33401

The Articles of Incorporation for SAILFISH POINT SERVICE CORPORATION were filed on January 17, 1997 and assigned document number N9700000267. Please refer to this number whenever corresponding with this office regarding the above corporation. The certification you requested is enclosed.

PLEASE NOTE: COMPLIANCE WITH THE FOLLOWING PROCEDURES IS ESSENTIAL TO MAINTAINING YOUR CORPORATE STATUS. FAILURE TO DO SO MAY RESULT IN DISSOLUTION OF YOUR CORPORATION.

A CORPORATION ANNUAL REPORT MUST BE FILED WITH THIS OFFICE BETWEEN JANUARY 1 AND MAY 1 OF EACH YEAR BEGINNING WITH THE CALENDAR YEAR FOLLOWING THE YEAR OF THE FILING DATE NOTED ABOVE AND EACH YEAR THEREAFTER. FAILURE TO FILE THE ANNUAL REPORT ON TIME MAY RESULT IN ADMINISTRATIVE DISSOLUTION OF YOUR CORPORATION.

A FEDERAL EMPLOYER IDENTIFICATION (FEI) NUMBER MUST BE SHOWN ON THE ANNUAL REPORT FORM PRIOR TO ITS FILING WITH THIS OFFICE. CONTACT THE INTERNAL REVENUE SERVICE TO RECEIVE THE FEI NUMBER IN TIME TO FILE THE ANNUAL REPORT AT 1-800-829-3676 AND REQUEST FORM SS-4.

SHOULD YOUR CORPORATE MAILING ADDRESS CHANGE, YOU MUST NOTIFY THIS OFFICE IN WRITING, TO INSURE IMPORTANT MAILINGS SUCH AS THE ANNUAL REPORT NOTICES REACH YOU.

Should you have any questions regarding corporations, please contact this office at the address given below.

Doris Brown, Document Specialist
New Filings Section

Letter Number: 997A00002557

State of Florida



Department of State

I certify the attached is a true and correct copy of the Articles of Incorporation of SAILFISH POINT SERVICE CORPORATION, a Florida corporation, filed on January 17, 1997, as shown by the records of this office.

The document number of this corporation is N97000000267.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capitol, this the
Seventeenth day of January, 1997



CR2EO22 (2-95)

Sandra B. Northam

Sandra B. Northam
Secretary of State

**ARTICLES OF INCORPORATION
OF
SAILFISH POINT SERVICE CORPORATION,
A Florida Corporation Not for Profit**

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
97 JAN 17 AM 10:54

ARTICLE I

Name of the Corporation.

The name of the corporation shall be: SAILFISH POINT SERVICE CORPORATION, a Florida Corporation Not For Profit, hereinafter referred to as "Corporation".

ARTICLE II

Principal Office, Mailing Address and Resident Agent

Section 1. The principal office of the Corporation shall be located at: 2201 S.E. Sailfish Point Boulevard, Stuart, Florida 34996 or at any such other place as may be designated, from time to time, by the Board of Directors.

Section 2. The registered mailing address of the Corporation shall be the address of the Corporation's principal office.

Section 3. Resident Agent: The initial Resident Agent of the Corporation shall be William C. Whitson, whose address is 2201 S.E. Sailfish Point Boulevard, Stuart, Florida 33496.

ARTICLE III

Objects and Purposes

The nature, object and purposes for which this Corporation is formed, in accordance with the provisions of Chapter 617, (Corporations Not For Profit Act), Florida Statutes is generally to provide water, sewage treatment and related services for the Sailfish Point Planned Unit Development located in Martin County, Florida. In furtherance of such purposes, the Corporation may:

a. Own, operate, govern, administer, manage, and maintain land, facilities, equipment and other property.

b. Purchase, lease or otherwise acquire lands or other real property and personal property of every kind and description, and to own, hold, mortgage, pledge, sell, convey, assign, take and give options with respect to, lease, exchange and otherwise dispose of, lands and other real property and personal property and to transfer rights and interests in such lands and other real property and personal property to other persons, firms, corporations

or entities, and to make contracts of any kind or nature whatsoever in connection with such lands or other real property and personal property.

c. Purchase or otherwise acquire, construct, own, mortgage, pledge, sell, exchange and otherwise deal in and with machinery and equipment necessary or useful in the conduct of any of its operations.

d. Purchase or otherwise acquire stocks or bonds and own, hold, sell, or otherwise dispose of the goodwill, rights, contracts, evidences of indebtedness, assets and property of any person, firm or corporation and to undertake or assume the whole or any part of the obligations or liabilities of any such person, firm, association or corporation.

e. Enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic or governmental entity.

f. Oversee the general operation and maintenance of the water and waste water utility facilities and equipment.

g. Do and perform all such other acts and things necessary or incidental to exercising the objects and purposes set forth herein.

h. Perform all such other acts and things permitted and to exercise all powers granted to a corporation not for profit under the laws of the State of Florida as those laws now exist or as they may hereafter provide.

ARTICLE IV

Non-Profit Nature

The Corporation shall not exist or be operated for pecuniary profit, and no part of the net earnings of the Corporation or the net assets upon liquidation shall inure to the benefit of any member. The Corporation, may, however, reimburse its members for actual expenses incurred for or on behalf of the Corporation, and pay compensation in a reasonable amount to its members for actual services rendered to the Corporation, as permitted by law.

ARTICLE V

General Powers

Section 1. The operation and activities of the Corporation shall be managed by its Board of Directors, which shall have and may exercise all the powers of the Corporation to do all such lawful acts and things not prohibited by law, or by these Articles and such By-laws, Rules and Regulations as may be promulgated.

Section 2. The Corporation shall have all of the common law and statutory powers of a corporation not for profit, including but not limited to, those powers set forth and described in Chapter 617, Florida Statutes, as the same may be amended from time to time, together with or as limited by, those powers conferred on the Corporation by these Articles and the By-laws of the Corporation, all as may be amended from time to time.

Section 3. The Corporation shall further have all additional powers as are reasonably incident, necessary and inferable in order to effect any and all of the objects and purposes for which the corporation is organized and in order to operate utility facilities to provide water, disposal of waste water and other services to the Sailfish Point Planned Unit Development, in accordance with the provisions of these Articles and such By-laws and Rules and Regulations as may be promulgated and amended from time to time, including but without limitation, the following:

a. To do all such acts as are necessary, incident or convenient to the attainment of the objects and purposes set forth in these Articles and the By-laws of the corporation to the same extent and as fully as any natural person might or could do;

b. To promulgate and enforce rules, regulations, By-laws, restrictions, rates and fees governing the use of the water and waste water and other utility facilities;

c. To provide water and waste water utility services throughout Sailfish Point; to obtain, maintain and renew all certificates, permits, and licenses, of whatever nature, which may be required or issued by any and all governmental agencies; to establish user rates for water and waste water utility services provided; and to do any other thing which the Board determines necessary or desirable in the interest of the health, safety, welfare and for the protection, comfort and convenience of the members and other occupants of Sailfish Point.

d. To delegate power or powers to individuals or committees designated by the Board where such is deemed in the interest of the Corporation.

e. To acquire, by gift, purchase or otherwise, and to lease, hold, sell, mortgage, own improve, build upon, operate, maintain, convey, or otherwise dispose of, real or personal property; to enter into, make, perform or carry out contracts of every kind whatsoever with any person, firm, corporation, partnership or entity; to do any and all acts necessary or expedient for carrying on any and all of the activities to effect the objects and purposes set forth in these Articles and not forbidden by the laws of the State of Florida.

f. To fix, levy, collect and enforce payment, by any lawful means, of fees, assessments and charges, of whatever nature, to defray the expenses and costs of providing water and waste water and other services at Sailfish Point or otherwise effectuating the objects and purposes of the Corporation and to create reasonable reserves for such expenditures; to charge members and all other users of services rendered or provided by the Corporation.

g. To pay taxes, fees, and assessments imposed by governmental entities on or against the land, facilities, equipment or property owned by the Corporation; to pay all office and other expenses incident to the operation, management, maintenance and conduct of the affairs of the Corporation.

h. To borrow money, and, from time to time, to make, accept, endorse, execute and issue debentures, promissory notes or other obligations of the Corporation for monies borrowed or in payment for property acquired or for any other purposes of the Corporation and to secure the payment of such obligations by mortgage, pledge, or other instrument of trust, or by lien upon, assignment of or agreement in regard to all or any part of the property owned by the Corporation wherever situated, or by any rights or privileges of the Corporation.

i. To assess the members for expenses which cannot be paid from the regular user charges and service fees; to make special assessments against members for the cost of any construction, reconstruction, unexpected repair or replacement of equipment and facilities and for capital improvements to the existing facilities provided title is held by the Corporation; to assess members for operational deficits or other extraordinary or unbudgeted items; and to assess members for the purpose of satisfying any judgment rendered against the Corporation.

j. To purchase insurance coverage for the protection of the Corporation, its officers, directors, employees, committees and members. To employ personnel to perform services required for the proper management, operation and maintenance of the water and waste water utility facilities and to delegate to such personnel all powers and duties of the Corporation, except such as are specifically required by these Articles or the By-laws of the Corporation to have the approval of the members.

k. To participate in mergers and consolidations with other corporations organized for the same or similar purposes or organized to own or operate property of any nature or to provide services which benefit the members and other residents and occupants of Sailfish Point.

l. To generally have all powers and authority conferred upon a corporation not for profit by Chapter 617, Florida Statutes, as it now provides or as amended from time to time, and as may be otherwise provided by the laws of the State of Florida, except as otherwise expressly prohibited herein.

ARTICLE VI

Membership And Voting Rights In The Corporation

Section 1. Every person or entity who is a record owner of a fee or undivided interest in any residential unit or parcel within the Sailfish Point Planned Unit Development

shall be a member of the Corporation, provided, however, each such residential unit or parcel shall have only one membership regardless of how many persons or entities own the residential unit or parcel. Each member shall be entitled to one vote. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any residential unit or parcel within Sailfish Point.

Section 2 Each member of this Corporation is also a member of the Sailfish Point Property Owner's and Country Club Association, a Florida Not For Profit Corporation organized under Chapter 617, Florida Statutes to operate and manage the Sailfish Point Planned Unit Development in Martin County, Florida. Voting for the election of directors for this Corporation and for Sailfish Point Property Owners and Country Club Association, shall be conducted simultaneously by a single vote of the members such that the directors of this Corporation and the Sailfish Point Property Owners and Country Club Association shall be the same individuals serving for identical terms.

ARTICLE VII

Board of Directors

Section 1. The affairs and property of this Corporation shall be managed and governed by a Board of Directors consisting of not less than nine (9) nor more than fifteen (15) persons elected by the members. The actual number of directors of the Corporation shall be equal to the number of directors of the Sailfish Point Property Owner's and Country Club Association.

Section 2. The manner in which the number of directors may be increased or decreased, or vacancies on the Board will be filled, shall be effected in the same manner as provided in the Articles of Incorporation, the Declaration of Covenants and Restrictions and By-laws of the Sailfish Point Property Owners and Country Club Association, as such documents now provide, or as amended hereafter from time to time.

Section 3. A Director must be a member or the spouse of a member and need not be a resident of the State of Florida. No member may serve as a Director for more than two(2) consecutive three (3) year terms.

Section 4. The initial directors of the Corporation shall be the persons duly elected and currently serving as Directors of the Sailfish Point Property Owners and Country Club Association, Inc. The terms of the initial directors of the Corporation shall expire at the same time their term as directors of the Sailfish Point Property Owners and Country Club Association, Inc. expires.

Section 5. The intent of these Articles is to provide that the affairs of this Corporation shall be managed and governed by the same persons who manage and govern

the affairs of the Sailfish Point Property Owners and Country Club Association. In the event any conflict ambiguity shall exist between the terms of these Articles and provisions of the Articles of Incorporation, Declarations of Covenants and Restrictions or By-laws of the Sailfish Point Property Owner's and Country Club Association relating, in any manner whatsoever, to the election, qualifications, term, replacement or removal of the directors of this Corporation, such conflict or ambiguity shall be resolved by construing these Articles in a manner consistent with the Articles of Incorporation, Declaration of Covenants and Restrictions and By-laws of the Sailfish Point Property Owners and Country Club Association, Inc.

Section 6. Elections shall be held annually at a time and place as provided in the Articles of Incorporation, Declaration of Covenants and Restrictions and By-Laws of the Sailfish Point Property Owner's and Country Club Association. Elections shall be by plurality vote, with cumulative voting being prohibited. At the regular annual elections in 1997 and 1998, any initial director of this Corporation whose original term as provided in the Articles of Incorporation, Declaration of Covenants and Restrictions or By-laws of the Sailfish Point Property Owner's and Country Club Association expires in the year of the election shall be replaced by the election of a director to serve a term of three (3) years and any vacancy resulting from resignation, death or removal, shall be filled by the election of a director to serve the remaining term of the director whose vacancy is being filled. Thereafter, there shall be elected as many directors as there are regular terms of directors expiring at such time or as may be required to fill the vacancies existing. The term of the director elected to fill such a vacancy shall be for the same period of time as the term of the director for whose position on the Board the director was elected; and thereafter, until a successor is duly elected and qualified, or until removed from office for cause by the affirmative vote by not less than three-fourths (3/4) of all directors or by a majority of the votes of all members. If removal is effected at a meeting, any vacancies created thereby shall be filled by the members at the same meeting. A removed director shall not be eligible for appointment to a vacancy or to stand for re-election until the next annual meeting of the members.

Section 7. A majority of the duly elected and qualified members of the Board shall constitute a quorum.

Section 8. A vote by the majority of the quorum present at a meeting of the Board of Directors of the Corporation shall be deemed a vote of the entire Board as to actions which may be taken by a majority vote of the Board.

Notwithstanding the foregoing, a three-fourths (3/4) vote of all duly elected members of the Board shall be required to authorize or approve any of the following actions subject to approval of the members where required by provisions of the Articles:

- a. Merger or consolidation of the Corporation with another entity;

- b. Sale, lease, exchange, transfer or other disposition of all or substantially all of the Corporation's assets;
- c. Voluntary dissolution of the Corporation; and
- d. Adoption of a Plan of Distribution of remaining assets upon dissolution of the Corporation.

ARTICLE VIII

Officers and Committees

Section 1. **Officers:** The affairs of the Corporation shall be administered by a President, Vice President, Treasurer, Secretary and such other Officers or Assistant Officers as the By-laws of the Corporation, or the Board of Directors, by resolution, may provide. The President, Vice President and Treasurer shall be elected by the Board from among their own number in accordance with the By-laws at the first regular meeting of the Board and thereafter at each regular annual meeting of the Board, and shall serve at the pleasure of the Board. The same person may hold two (2) offices, the duties of which are not incompatible; provided, however, the office of President and Vice President shall not be held by the same person, nor shall the office of President and Secretary or Assistant Secretary be held by the same person.

Section 2. **Committees:** The Board, by resolution, may appoint committees to administer and manage specified aspects of the day to day operations of the Corporation, as the Board, in its sole discretion, deems necessary or convenient. A committee may consist of two (2) or more designated persons, who may be, but are not required to be members, of the Board. Committee members shall serve at the will of the Board.

Section 3. **Initial Officers:** The initial officers of the Corporation and their successor officers shall be the same persons duly elected to serve as the officers of the Sailfish Point Property Owners and Country Club Association, Inc.

Section 4. **Fiduciary Relationship:** The officers, directors and committee members of the Corporation shall have a fiduciary relationship to the membership.

ARTICLE IX

By-laws

The first By-laws of the Corporation shall be adopted by the Board of Directors and may be altered, amended or rescinded by a two-thirds (2/3) vote of the Board. The members shall have the right to repeal, change and adopt By-laws and may provide that any By-laws made by them may not be altered, amended or repealed by the Board. The

members may repeal, change or adopt By-laws at any duly called meeting of the members, by a vote in favor of said change by no less than two-thirds (2/3) of the total voting interest of the membership.

ARTICLE X

Amendments to the Articles of Incorporation

Section 1. Alterations, amendments or revisions to these Articles shall be proposed and adopted in the following manner:

(a) The Board shall adopt a resolution setting forth the proposed amendment, and directing that it be submitted to a vote of the Board at a meeting of the Board, which meeting may occur not less than ten (10) days nor more than sixty (60) days from the date of the meeting at which the resolution is adopted.

(b) A written notice setting forth a proposed amendment or a summary of the changes to be effected thereby and specifying the date, time and place of the meeting at which the Board will vote upon such amendment shall be conspicuously posted at Sailfish Point not less than seven (7) days prior to the meeting.

(c) At such meeting a vote of the Board shall be taken on the proposed amendment. The proposed amendment shall be adopted upon receiving the affirmative vote of a majority of the full Board of Directors.

Section 2. Any number of amendments may be proposed and voted upon by the Board at one meeting.

ARTICLE XI

Indemnification of Officers, Directors and Committee Members

Section 1. The Corporation shall indemnify any Director or officer made a party or threatened to be made a party to any of the following threatened, pending or completed action, suit or proceeding as follows:

(a) In any action brought by or on behalf of the Corporation against such officer or Director, an action of judicial, administrative or investigative nature based on an act alleged to have been committed by such Director or officer, in his capacity as such or in any capacity of any other association or enterprise in which he served at the request of the Corporation, the officer or Director shall be indemnified against judgments, fines, amounts paid in settlement, and reasonable expenses, including attorneys' fees, actually and necessarily incurred as a result of such action, or any appeal therein, provided such Director

or officer acted in good faith in the reasonable belief that such action was in the best interests of the Corporation and, in criminal actions or proceedings, without reasonable ground for belief that such action was unlawful. The termination of any such action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, in itself, create a presumption that any such Director or officer did not act in good faith in the reasonable belief that such action was in the best interests of the Corporation or that he had reasonable grounds for belief that such action was unlawful.

(b) In any action by or on behalf of the Corporation to procure a judgment against such officer or Director based on his capacity as a Director or officer of the Corporation, or in any capacity of any other Corporation or enterprise in which he served at the request of the Corporation, the officer or Director shall be indemnified against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense or settlement of such action, or in connection with an appeal therein, provided such Director or officer acted in good faith in the reasonable belief that such action was in the best interest of the Corporation. Such person shall not be entitled to indemnification in relation to matters as to which such person has been adjudged to have been guilty of negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the adjudicating body shall determine that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnification for such expenses which such adjudicating body shall deem proper.

Section 2. The Board shall determine whether amounts for which a Director or officer seeks indemnification were properly incurred, and whether such Director or officer acted in good faith and in a manner he reasonably believed to be in the best interests of the Corporation, and whether, with respect to any criminal action or proceeding, he had no reasonable ground for belief that such action was unlawful. Such determination shall be made by the Board, by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding.

Section 3. The foregoing rights of indemnification shall not be deemed to limit, in any way, the powers of the Corporation to indemnify Directors and officers under applicable law.

ARTICLE XII

Transactions in Which Directors Or Officers Are Interested

Section 1. No contract or transaction between the Corporation and any other corporation, partnership, association, or other organization in which one or more of the Directors or officers of this Corporation are Directors or officers, or has a direct or indirect financial interest shall be invalid, void, or voidable solely for this reason, or solely because

the Director or officer is present at or participates in the meeting of the Board or committee thereof which authorized the contract or transaction, or solely because the vote of said officer or Director is counted for such purpose. No Director or officer of the Corporation shall incur liability by reason of the fact that said Director or officer may be interested in any such contract or transaction.

Section 2. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorized the contract or transaction.

Section 3. Notwithstanding the foregoing, any Director or officer of Corporation shall have a duty to disclose to the Board and to all officers that such officer or Director is also an officer or director of or has a financial interest, direct or indirect, in any organization with which the Corporation proposes to contract or to enter into a transaction. Such disclosure shall be reflected in the minutes of the meeting at which any vote on a proposed contract or transaction with any organization in which an officer or Director of the Corporation has any interest.

ARTICLE XIII

Dissolution of the Corporation

Section 1. Upon dissolution of the Corporation, all of its assets remaining after provision for creditors and payment of all costs and expenses of such dissolution shall be distributed to the Sailfish Point Property Owners and Country Club Association, Inc. for the benefit of the members.

Section 2. The Corporation may be dissolved upon a resolution to that effect which has been approved by three-fourths (3/4) of the Directors and confirmed by an affirmative vote of not less than a majority of all the members. The Board may require, as a condition to its resolution approving dissolution, that the Corporation petition the circuit court of the county where the principal office of the Corporation is then located, for a decree of dissolution, the procedure for which petitions are set forth in Section 617.1431, Florida Statutes, or other statute of similar import.

Section 3. In no event shall the Corporation be dissolved nor shall it dispose of its land, facilities and equipment, except to an organization or entity which will be obligated to continue to operate and maintain the utility services being provided by the Corporation to owners and residents at Sailfish Point and after first receiving approval from the Board of County Commissioners of Martin County, Florida, if required by Martin County ordinances and regulations, and written approval of the Florida Public Service Commission, if required by law.

ARTICLE XIV

Corporate Existence

The term for which the Corporation is to exist is perpetual, unless the Corporation is sooner terminated pursuant to the terms of these Articles of Incorporation.

The undersigned, being the Subscriber and Incorporator of this Corporation, for the purpose of forming this not-for-profit Corporation under the laws of the State of Florida, has executed these Articles of Incorporation this 14th day of January, 1997.

Signed, sealed and delivered in the presence of:

Subscriber:

Sailfish Point Property Owner and Country Club Association, Inc.

W.C. Whitson
Signature

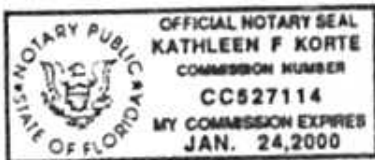
By: Harold Hansen
Harold Hansen, President

W. C. WHITSON
Print Name

STATE OF Florida)
COUNTY OF Martin) SS:

I HEREBY CERTIFY that on this day personally appeared before me, the undersigned Harold Hansen, as the President of Sailfish Point Property Owners' and Country Club, Association, Inc., a Florida Not For Profit Corporation, and who executed the foregoing Articles of Incorporation before me and acknowledged that he executed the same freely and voluntarily for the purposes therein expressed. Harold Hansen is personally known to me or has produced _____ as identification.

WITNESS my hand and official seal at Altoona, Martin County, Florida, this 14th day of January, 1997.



Kathleen F. Korte
Notary Public
Printed Name:
My Commission Expires:

**CERTIFICATE OF DESIGNATION OF
REGISTERED AGENT / REGISTERED OFFICE**

Pursuant to the provisions of Section 617.0501, Florida Statutes, the undersigned Corporation, organized under the laws of the State of Florida, submits the following statement designating the Registered Office and Registered Agent, in the State of Florida.

1. The name of the Corporation is: Sailfish Point Service Corporation.
2. The name and address of the Registered Agent is:

William C. Whitson
2201 S.E. Sailfish Point Boulevard
Stuart, Florida 34996

Having been named as Registered Agent and to accept service of process for the above stated Corporation at the place designated in this Certificate, I hereby accept the appointment as Registered Agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relating to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.



William C. Whitson

Dated: 1/14/97

97 JAN 17 PM 10:54
SECTION OF STATE
CORPORATION DIVISION