

Nautica Soundview Condominiums
Resolution Adopting an Accounting Policy for Special Assessment Funds

WHEREAS, Article 13, Section 13.6.2, of the Declaration grants the Association the power to adopt and amend budgets for revenues, expenditures, and reserves; and

WHEREAS, Article 15, Section 15.2, of the Declaration grants the Board the authority to exercise all the powers of the Association; and

WHEREAS, Article 16, Section 16.11, of the Declaration states that all Assessments and other receipts received on behalf of the Condominium shall belong to the Association; and

WHEREAS Article 6, Section 6.1 of the Bylaws requires the Association to establish the funds or accounts to provide properly for the operation and maintenance of the Condominium; and

WHEREAS the Board at a meeting held on August 6, 2019 did adopt the 2020 Special Assessment budget for the purpose of repairing the Building Envelope; and

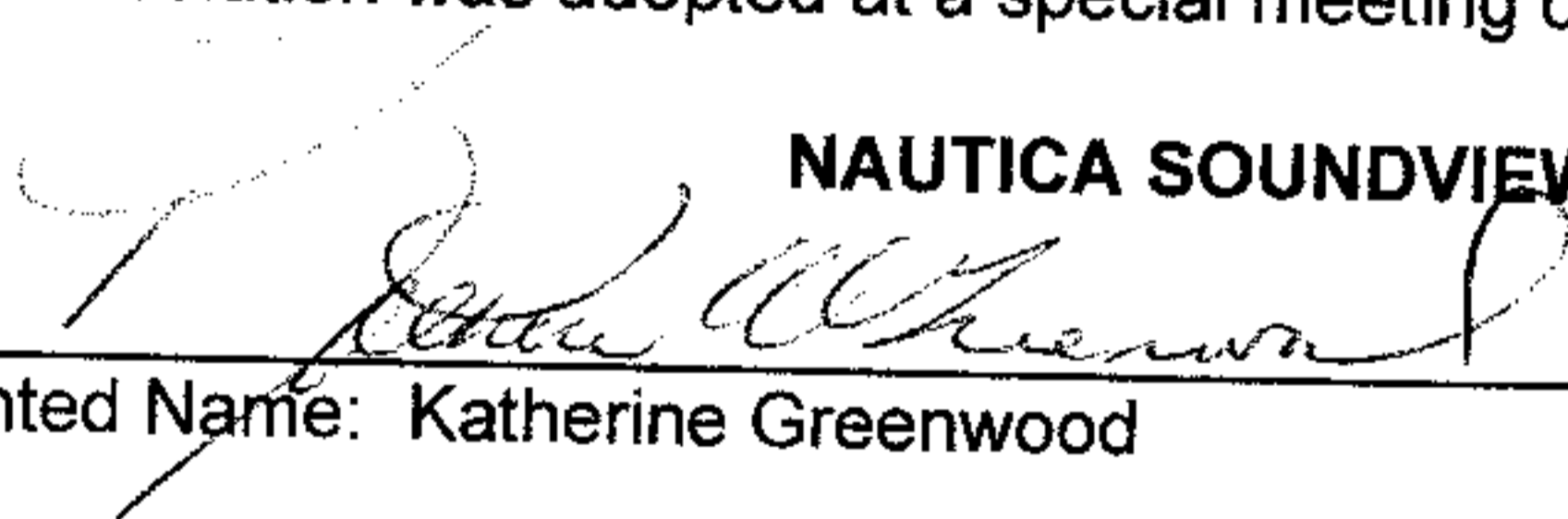
WHEREAS the 2020 Special Assessment Budget for the Building Envelope repairs was properly ratified by the ownership at a meeting held on October 1, 2019; and

WHEREAS on August 29, 2019, the Board of Directors entered into a loan agreement with Mutual of Omaha Bank to borrow up to \$3.1 million for the purpose of making the necessary Building Envelope repairs; and

NOW, THEREFORE, BE IT RESOLVED that the Association acting through the Board of Directors adopts the following policy regarding the accounting, handling, and use of special assessment funds designated for making repairs to the Condominium Building Envelope.

This resolution was adopted at a special meeting of the Board of Directors on Feb 25, 2020

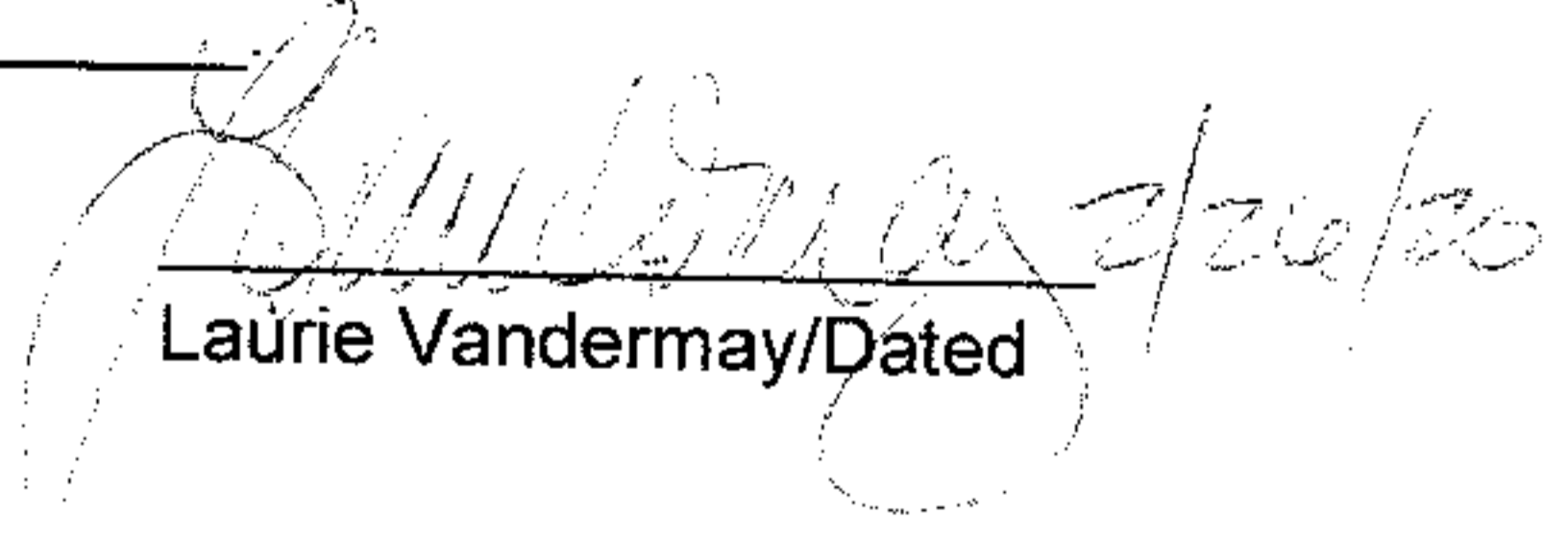
NAUTICA SOUNDVIEW CONDOMINIUM OWNERS ASSOCIATION



Its President

Printed Name: Katherine Greenwood

I, **Laurie Vandermay**, the undersigned Secretary of the Nautica Soundview Condominium Owners Association do hereby attest that this resolution was properly adopted by a vote of the Board of Directors on 2/25/2020



Laurie Vandermay/Dated

NAUTICA SOUNDVIEW CONDOMINIUMS OWNERS ASSOCIATION	
Policy Document	
Title	Special Assessment Accounting
Policy Owner	Board of Directors
Author	Katherine Greenwood
Effective Date	
Last Revised	NEW
Document Number	NSVPOL-5

1. Purpose. The purpose of this policy is to specify how special assessment funds designated for the Building Envelope Strip and Re-Clad and Roof Repair Project (hereafter called the Envelope Project) will be collected, stored, used, and dispersed throughout the 15-year term of the bank loan with Mutual of Omaha, or until the loan balance has been paid-off.
2. Authority. The board of directors has the authority to set-up separate funds or accounts, and to establish the procedures governing the use of those funds.
3. Scope. The scope of this policy is limited to the funds collected, borrowed, or designated for use on the Envelope Project as itemized in the 2020 Special Assessment Budget, Exhibit A.
4. Responsibility.
 - a. The Board of Directors is responsible for reviewing financial statements monthly, and for ensuring that all records and reports, draw requests, and disbursements are made in accordance with the requirements of the applicable laws, governing documents, construction contracts, and loan documents.
 - b. Property Management is responsible for ensuring the accounting department follows accepted accounting practices. Special reports required by the bank in the loan documents are outlined in Section 11.
 - c. J2 Project Manager is responsible for overseeing the day to day construction and schedule.
5. Budget. The 2020 Special Assessment Budget for the envelope repair project was adopted by the Board at a meeting on July 22, 2019 and ratified by the owners at a meeting on August 6, 2019 in accordance with RCW 64.90.550. Loan and special assessment funds may only be used for expenses identified on the budget. See Exhibit A.
6. Special Assessment Accounts
 - a. SA 1, Special Assessment account This account will be used as the main account for deposits, bank loan payments, bank draws, and disbursements for construction on the building envelope project.
 - b. SA 2, 2020 Special Assessment account (holding) This account will be used for holding pre-payment funds until they have been reported to the bank. (Pre-payment funds need to be used before drawing on the loan.)

7. Loan Terms

- a. The Association committed to borrow up to \$3.1 million from Mutual of Omaha.
- b. Loan advances will take place during the first 12 months of the loan term and may only be withdrawn as needed to pay for work itemized on the special assessment budget.
- c. Loan payments will be interest only during the 12 month Draw Period. After the Draw Period, payments will be monthly principal and interest fully amortized for the remaining term of the loan.
- d. Rate for the 15-year term loan will be fixed at 4.00%.
- e. Loan payments will be made automatically via ACH (auto-deduction) from Special Assessment account number 1.
- f. The Association may ask to re-amortize the loan balance at any time (one time per year for free, and additional requests will be charged a fee of \$100.) This allows the Association to lower monthly payments.
- g. Pre-payments made by owners need to be applied directly to construction costs before drawing on the loan and should be reported to the bank monthly.
- h. The Association shall make an injection of \$109,278 toward the project before drawing loan funds. The Association will use pre-paid assessment funds for the injection.
- j. Loan number: 1702865001

8. Assessment Income.

- a. Payments Beginning January 1, 2020 special assessment payments shown on the attached Table, Exhibit B, will be due on the first of each month. They will be late after the 10th of each month.
 - (1) The regular assessment and special assessment will be combined onto one coupon.
 - (2) For those who pay by ACH (automated clearing house) through Port Gardner, the special assessment and the regular assessment will be drawn on the 10th of the month.
- b. Fund Transfer – Each month, accounting will transfer to the Special Assessment #1 account funds equivalent to the total of the Special Assessment payments collected from the owners, less any pre-paid accounts.
- c. Owners may pay-off the balance of their account at any time. Extra payments will be subtracted from the overall balance.

9. Loan Advances (see page 3 of the loan agreement).

- a. The Association shall submit to the Bank a written Draw Request (Exhibit C) for each advance. Submit draw requests to: osgcommercialdisbursing@mutualofomahabank.com
Advances are limited to twice a month. Draw requests shall
 - (1) Bear the signature of one or more designated individuals who are either a member of the Borrower's Board (Bill Weber or Katherine Greenwood), and the J2 Project Manager (David Delgado).
 - (2) Identify in reasonable detail the products or services to be purchased with the advance and shall be accompanied by *original* invoices or paid receipts of the party claiming payment due, and Borrower shall represent and warrant to that effect.

- b. Final draw of not less than 5% of total project costs to be advanced upon certification of project completion.

10. Disbursements

- a. Expenses related to the Envelope project will be paid from the SA1 account.
- b. Expenses related to the Envelope project will be tracked and reported to the Bank.
- c. The Association shall use any pre-payment funds towards construction expenses before borrowing loan funds.
- d. The Association shall fund \$109,278 of Envelope construction costs before using loan funds.
- e. The Association will make contractual progress payments to the Roofing Contractor within 30 days of receipt of certificate of payment from the architect/project manager.

11. Reports. The following reports need to be made to Mutual of Omaha:

- a. Audited financial statements prepared in conformity with the GAAP at least annually and within 150 days to include:
 - (1) Accountant's Opinion Letter
 - (2) Balance Sheet at the close of the fiscal year
 - (3) Statement of Profit and Loss
 - (4) Statement of Retained Earnings
 - (5) Statement of Cash flows (we are required to maintain a cash flow of 1.05 times)
 - (6) Accountant's notes to the Financial Statements
 - b. Budget within 60 days of each Fiscal Year End (December 31) with year-to-date results of income and expenses.
 - c. A copy of a Special Assessment report showing the outstanding balances (including the monthly payment amounts) and the remittance of any pre-paid Special Assessments within 150 days of each FYE (December 31).
 - d. A current internally prepared interim financial statement within 150 days of each FYE (December 31).
 - e. Month End Accounts Receivable Aging Report covering both regular and special assessments showing the status of all assessment payments by unit number or account number, amounts due listed as being in excess of 30, 60, 90 days past due:
 - (1) annually within 60 days of each FYE; or
 - (2) semi-annually within 60 calendar days of June 30 and after the close of each FYE
 - f. Reserve studies or other documentation as requested.
12. Collections. Collections for past due Special Assessments will be in accordance with the Nautica Soundview Collection Policy.

EXHIBIT A
Nautica Soundview Condominium Owners Association
2020 Special Assessment Budget – Building Envelope Repair Project

Scope: Remove all siding and insulation. Repair damaged wood, replace windows, replace sliding glass doors, re-set patio swing doors with door pans under them, add flashing, replace deck fascia boards, and coat unit deck surfaces as needed. Install a rain-screen system on the building exterior. Paint siding. Apply elastomeric coatings around the outsides of the 10 patio units that weren't done last year. Replace two flat roofs, and three small roofs above the elevator & stairwells on B.

Projected Income	Monthly	Annually
Special Assessment payments	\$22,943	\$275,316
Reserve Fund Contribution	\$791	\$9492
Totals	\$23,734	\$284,808
Projected Common Expenses by Category		
	Estimated cost	Subtotals
Bldg. A General Conditions 20-week estimated duration	\$84,850	
Bldg. A Scaffolding with netting and shrink wrap top	\$131,428	
Bldg. A Allowances: Total \$162,131 as follows:		
• Gypsum Sheathing Replacement 15% of wall area	\$16,811	
• Wall framing & Rim floor joist replacement 5% of wall area	\$15,120	
• Interior window wrap repair \$500/unit	\$32,000	
• Wood framed canopy over both stairwells	\$20,000	
• Brick Facade awning work	\$10,000	
• Interior repairs \$64,000 (nail pops, cracks etc.)	\$64,000	
• Unit Deck repairs	\$4,200	
Bldg. A Demolition	\$74,546	
Bldg. A Windows & Sliding glass doors	\$207,594	
Bldg. A Resetting Swing Doors on pans	\$14,889	
Bldg. A Cladding	\$328,729	
Bldg. A Deck Coating and fascia (decks re-coated, no sheathing estimated)	\$24,992	
Bldg. A Misc. Replacements (signage reset, light fixtures, outlets)	\$3,354	
Bldg. A Scuppers, Downspouts and Coping	\$23,753	
Bldg. A Remount Railings	\$7,155	
Bldg. A Painting	\$50,440	
Bldg. A Brick façade (Clean, Sealer, Weep Holes)	\$16,096	

Bldg. A Interior Repair (SGD Carpet, Caulk Liners, Liner Painting)	\$21,791	
	Bldg. A Subtotal	\$1,151,748
Bldg. B General Conditions for 20-week estimated duration.	\$84,850	
Bldg. B Scaffolding with netting and shrink wrap top.	\$121,124	
Bldg. B Allowances \$137,697 (breakdown as follows)		
• Gypsum Sheathing Replacement 15% of wall area.	\$17,214	
• Wall framing and Rim floor joist replacement 5% of wall area.	\$15,483	
• Interior window wrap repair	\$500/unit \$30,000	
• Brick Facade awning work	\$10,000	
• Interior repairs	\$60,000	
• Deck repairs	\$5,000	
Bldg. B Demolition	\$71,000	
Bldg. B Windows & Sliding Glass Door	\$207,354	
Bldg. B Resetting of Swing Doors on pans	\$16,641	
Bldg. B Cladding	\$340,380	
Bldg. B Deck Coating and fascia (decks re-coated, no sheathing estimated.)	\$39,968	
Bldg. B Misc. Replacements (signage reset, light fixtures, outlets)	\$3,690	
Bldg. B Scuppers, Downspouts and Coping	\$23,753	
Bldg. B Remount Railings	\$12,431	
Bldg. B Painting	\$51,635	
Bldg. B Brick façade (Clean, Sealer, Weep Holes)	\$14,525	
Bldg. B Interior Repair (SGD Carpet, Caulk Liners, Liner Painting)	\$22,243	
	Bldg. B Subtotal	\$1,147,291
	A + B Subtotal	2,299,039
Replace Roofs (includes re-siding stairwell and elevator bldgs, adding flashing and new fall protection devices.)	\$360,000	
Permits – per J2 calculate at 2% of total	\$53,180	
Engineering consulting and project management	\$210,675	
	Subtotal	\$2,922,284
Sales Tax at 9.8 %	\$286,384	
Total without contingencies, management fees, or bad debt allowance.		\$3,208,668
Less Reserve Fund Contribution* (approx. \$791 to \$804 a month over 15 years) AMENDED	108,668	\$3,100,000

Amended: Bank requires cash injection of \$109,278 instead of monthly draw from reserves.

EXHIBIT B

Unit #	CEL%	Payment	Unit #	CEL%	Payment	Unit #	CEL%	Payment	Unit #	CEL%	Payment
A101	.87	\$ 199	A501	1.06	\$ 243	B303	.70	\$ 161	B608	1.07	\$ 245
A102	1.07	\$ 245	A502	.70	\$ 161	B304	1.07	\$ 245	B609	1.07	\$ 245
A103	.51	\$ 117	A503	.51	\$ 117	B305	.70	-----	B610	.51	-----
A104	.51	\$ 117	A504	1.07	\$ 245	B306	.70	\$ 161	B611	.70	-----
A105	.70	\$ 161	A505	.70	\$ 161	B307	.51	\$ 117	B612	1.07	-----
A106	.51	\$ 117	A506	.70	-----	B308	1.07	-----			
A201	.70	\$ 161	A507	.51	\$ 117	B309	1.07	\$ 245			
A202	.70	\$ 161	A508	1.07	\$ 245	B310	.51	\$ 117			
A203	.51	\$ 117	A509	1.07	\$ 245	B311	.70	\$ 161			
A204	1.06	\$ 243	A510	.51	\$ 117	B312	1.07	\$ 245			
A205	.70	\$ 161	A511	.70	\$ 161	B401	.70	\$ 161			
A206	.70	\$ 161	A512	1.07	\$ 245	B402	.70	\$ 161			
A207	.51	-----	A601	.70	\$ 161	B403	.70	-----			
A208	1.06	\$ 243	A602	.70	\$ 161	B404	1.07	\$ 245			
A209	1.06	\$ 243	A603	.51	\$ 117	B405	.70	\$ 161			
A210	.51	\$ 117	A604	1.07	\$ 245	B406	.70	\$ 161			
A212	1.06	\$ 243	A605	.70	\$ 161	B407	.51	\$ 117			
A301	1.06	\$ 243	A606	.70	\$ 161	B408	1.07	\$ 245			
A302	.70	\$ 161	A607	.51	\$ 117	B409	1.07	\$ 245			
A303	.51	\$ 117	A608	1.07	-----	B410	.51	\$ 117			
A304	1.06	\$ 243	A609	1.07	\$ 245	B411	.70	\$ 161			
A305	.70	\$ 161	A610	.51	\$ 117	B412	1.07	\$ 245			
A306	.70	\$ 161	A611	.70	\$ 161	B501	.70	\$ 161			
A307	.51	-----	A612	1.07	-----	B502	.70	\$ 161.			
A308	1.06	-----	B101	.69	\$ 158	B503	.70	\$ 161			
A309	1.06	-----	B102	.69	-----	B504	1.07	\$ 245			
A310	.51	\$ 117	B103	.69	\$ 158	B505	.70	\$ 161			
A311	.51	\$ 117	B201	.70	\$ 161	B506	.70	-----			
A312	1.06	\$ 243	B202	.70	\$ 161	B507	.51	\$ 117			
A401	1.06	\$ 243	B203	.70	\$ 161	B508	1.07	\$ 245			
A402	.70	\$ 161	B204	1.07	-----	B509	1.07	\$ 245			
A403	.51	\$ 117	B205	.51	\$ 117	B510	.51	\$ 117			
A404	1.06	\$ 243	B206	.70	\$ 161	B511	.70	-----			
A405	.70	\$ 161	B207	.51	\$ 117	B512	1.07	-----			
A406	.70	\$ 161	B208	1.07	\$ 245	B601	.70	\$ 161			
A407	.51	\$ 117	B209	1.07	\$ 245	B602	.70	\$ 161			
A408	1.06	\$ 243	B210	.51	\$ 117	B603	.70	\$ 161			
A409	1.07	\$ 245	B211	.70	\$ 161	B604	1.07	\$ 245			
A410	.51	\$ 117	B212	1.07	\$ 245	B605	.70	\$ 161			
A411	.51	\$ 117	B301	.70	\$ 161	B606	.70	\$ 161			
A412	1.07	\$ 245	B302	.70	\$ 161	B607	.51	\$ 117			