



Community Association Management At Its Best
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Re: Quail Valley Lot Owners Association, Inc.

Dear Mr. Sharma:

Pursuant to your request, with regard to Quail Valley Lot Owners Association, Inc. (hereafter in referred to as the "Association"), please accept this e-mail as a written opinion from Clayton & McCulloh regarding the following issue:

How would the Association deal with calls by certain Association members to move forward with possibly dissolving the Association?

Please note, while it is possible for the Association to pursue a dissolution of the Association, please note that a proper dissolution of the Association would involve contact with several entities, including governmental entities, and the need for an approval by these

certain governmental entities. As such, although it is possible for the Association to achieve a dissolution of the Corporate Association, nonetheless, the cost and the potential headaches to the owners may discourage the owners from pursuing this course of action.

One step that the Association would have to take is an amendment to the Association's Articles of Incorporation and Declaration that would provide for the dissolution of the Association. Please note, through my cursory review of the Association's Governing Documents, it appears that such Amendment would require the approval of at least 75% of all lot owners within the Association. As such, it is quite likely that this would be a difficult hurdle to achieve.

Additionally, it is likely that the Association would need to seek the approval of several governmental entities in order to properly transfer ownership of property and/or maintenance responsibilities under the Association's current Governing Documents. Specifically, the Association will need to seek the approval of the St. Johns River Water Management District for the transfer of an operational permit for the Association's stormwater/drainage system. Often times, any entity willing to accept a transfer, provided that St. Johns River Water Management District approves such transfer, would require a a up-front capital contribution from the Association, or a special assessment on each lot owner within the Association, in order to properly provide for management of the stormwater system.

Additionally, the question arises as to who will take over ownership rights for the Association's Common Areas. It is likely the City of Minneola would be the first entity that the Association would look towards to take over management of these Common Areas. However, in order to provide for these Common Areas, it is likely that the City of Minneola would pursue establishment of a Municipal Service Taxing Unit ("MSTU"), in order to levy taxes on individual lot owners within the Community for the providing of maintenance services on these properties on their behalf. Although I cannot comment as to what the charges for this would be, please note that Clayton & McCulloh's previous experience regarding MSTU's has found that often, taxes assessed by MSTU's may, in fact, be more expensive than those assessments levied by a homeowners association. Additionally, owners may need to understand that their ability to ask questions and/or complain about the management of these Common Areas may also be limited or frustrated by the governmental structure of a municipality.

Additionally, the Association will want to make sure that the owners understand that it is unlikely that a city would be willing to enforce private deed restrictions on lots within the Community, where such are not considered to be in accordance with the City's codes.

Finally, even if the owners of the Association, despite these obvious hurdles, would still like to pursue the dissolution of the Association, nonetheless, I would not advise that the Association pursue this option at this time, namely, as the Association is current dealing with a situation regarding the development of a Walgreens' and the closing of the wastewater treatment plant. Should the Association dissolve during the pendency of these actions, it is likely that the owners within the Association would be left with an unsatisfactory result regarding both of these situations.

As such, in summary, although Clayton & McCulloh believes that you should mention to the owners within the Association that dissolution is, in fact, possible, the obstacles to effecting a dissolution properly, and in accordance with Florida law, may prevent such action from taking place practically, and additionally, may not be in the long-term best interest of their investment in their community.

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