

PARADISE HARBOR PROPERTY OWNERS ASSOCIATION, INC.
PO Box 548
Connelly Springs, NC 28612-0548

March 24, 2017

Dear Neighbor:

Enclosed with this letter is a packet of information pertaining to a Special Meeting called by the Co-Presidents of the Paradise Harbor POA. We have called this Special Meeting to discuss and vote on issues pertaining to the developer turnover and, specifically, the boat slip marina.

As you may already know, after more than a year of work, the turnover of control of Paradise Harbor from the developer, Paradise Harbor, LLC, to the POA has been completed. However, the marina remains as our last big hurdle.

What is the issue? As will be explained in more detail below, there is currently no authority for the POA dues to be used to pay the rental fee to Duke Energy for the marina lease. Without any funds to pay this rental fee, we cannot lease the lakebed from Duke Energy and our boat slip marina will have to be removed. Due to recent changes in federal regulations, Duke Energy has advised that they will not allow marinas such as ours in the future. In short, if we lose our marina now, it will be gone forever.

How did this happen? The boat slips in the marina are not considered "Common Property" under our restrictive covenants, as the slips may be used only by their individual owners and not by the Association as a whole. The developer, Paradise Harbor, LLC, granted exclusive rights of use of the slips to certain interior lot owners. So, although Lot 204 (where the marina is located) is a Common Property that can be enjoyed by any of the homeowners in Paradise Harbor, the individual boat slips may only be used by the owners of the lot associated with that slip.

Duke Energy owns the lake and lakebed where the boat slips are located. The developer entered into a lease with Duke Energy in 2007, but due to changes in federal regulations, Duke must terminate this lease and will require that we enter into a new one. The term of this proposed new lease will be for forty (40) years.

The proposed new lease requires an annual rental fee of \$14,400.00 to be paid to Duke each year. Duke will have the ability to increase the rental fee annually based on the Consumer Price Index (CPI) of the previous year.

Per the Restrictive Covenants of the subdivision, the annual POA dues may be used only for expenses relating to the Common Property. Since the boat slips themselves are not Common Property, the Board cannot use the annual POA dues to pay for the annual rental fee to Duke Energy or for maintenance of the boat slips.

What can we do to fix this? We are proposing two separate options to address this issue.

OPTION 1: ESTABLISH A SEPARATE BOAT SLIP OWNERS ASSOCIATION

Under the first proposed option, the boat slip owners would come together to establish a separate owners' association which would be governed and managed by the boat slip owners through separate bylaws and covenants. All boat slip owners would be members of the Boat Slip POA.

The Boat Slip POA would be responsible for maintaining the boat slips and paying the annual Duke Energy rental fee through a separate assessment of dues paid by the boat slip owners. At the current time, we estimate that dues would need to be \$250 per year per slip to cover the cost of the Duke Energy rental fee and to establish a maintenance fund. These funds would be held totally separate from any Paradise Harbor POA funds, and would be used exclusively for the boat slips.

The boat slip owners will still be required to pay the regular POA assessment of \$500 per year, as a lot owner in the subdivision.

Unanimous consent of all boat slip owners is necessary to establish a Boat Slip POA.

OPTION 2: AMEND CURRENT COVENANTS TO ESTABLISH A SEPARATE CLASS OF BOAT SLIP OWNERS AND A SEPARATE ASSESSMENT

If we fail to obtain unanimous consent of all boat slip owners to establish a Boat Slip POA, then we propose to amend our current restrictive covenants to establish a separate class of membership, comprised exclusively of boat slip owners. The amendment would also give the POA the authority to collect a separate assessment from the boat slip owners to be used for Duke Energy rental fee, boat slip maintenance, and other boat slip expenses. Again, these funds would be held totally separate from any Paradise Harbor POA funds, and would be used exclusively for the boat slips.

In addition, the proposed amendment would create a Boat Slip Committee, comprised of boat slip owners, that could create rules and regulations for the use of the boat slips and that would report to the Board of Directors on matters concerning the boat slips.

As with Option 1, we estimate that the separate boat slip assessment would need to be \$250 per year per slip. The boat slip owners would also still be required to pay the regular POA assessment of \$500 per year per lot.

Lastly, we propose for this amendment to be a full amendment and restatement of the restrictive covenants for all phases of the subdivision. There are nine (9) separate recorded restrictive covenants for our subdivision covering the various phases. This would give us the opportunity to consolidate all of these into one comprehensive version applicable to all phases.

Approval of 67% of the lots in the subdivision is necessary to amend the covenants.

OPTION 3: REMOVE THE BOAT SLIPS

Of course, there is also a third option of removing the boat slips altogether. If we can garner neither unanimous approval to pass Option 1 nor 67% approval to pass Option 2, we will be unable to sign the new lease with Duke Energy. Duke will then require us to remove the boat slips.

I don't own a boat slip. Why do I care? We realize that the majority of the property owners in Paradise Harbor do not own boat slips in this marina. However, you are impacted by the outcome of the votes at this Special Meeting. Having this unique marina in our subdivision makes Paradise Harbor more attractive to potential buyers, and thus enhances the value of your property. Again, Duke Energy is no longer allowing these types of marinas, and few exist in our area today. This is an asset to our subdivision which, if lost, will cause all of our property values to decline.

We need your help to keep this valuable asset in Paradise Harbor! Please review the enclosed information pertaining to our Special Meeting scheduled for April 22, 2017, 1:00 pm, at Connelly Springs Town Hall. We hope to see you in person at the meeting, but if you are unable to attend, please complete and return the enclosed Proxy Form to designate another person to cast your vote at the meeting.

Further information concerning the proposed options and meeting is available on our website, www.ParadiseHarborNC.com. You are also welcome to contact any member of the Board with questions.

We look forward to seeing you on April 22nd!

Best regards,

Jerry Maldonado, Co-President

Deborah Pelick, Co-President

Greg Gervasio, Vice President

Sally Baird, Secretary

Felicia Helmstetter, Treasurer