



Ballymeade Maintenance Corporation

April 5, 2007

Dear Ballymeade Homeowner,

At the Ballymeade Annual Community Meeting held February 21, 2007, an important motion by the Board of Directors to implement a new Special Assessment was passed by unanimous vote. As a Ballymeade homeowner, the two key points you must be aware of are as follows:

- This assessment does not impact you as a current owner until you put your home up for sale.
- If your home is currently listed on a Multiple Listing Service, or under contract to be sold, this does not apply to you.
- Effective immediately, if you put your house on the market, you will need to indicate on the "Seller's Disclosure Form" that a one-time, non-refundable "Capital Improvement Assessment" of \$450 will be paid by the buyer at the time of settlement by writing a check made payable to the Ballymeade Maintenance Corporation.

If you are interested in understanding more about the rationale for this Special Assessment, more information and answers to questions you may have are available on the attachment of this letter.

If you have questions or concerns, please call Elise Nelson at BC Consulting at (302) 791-7710.

Respectfully submitted,

The Ballymeade Maintenance Corporation
Board of Directors

Attachment

The following should answer any questions you may have:

How will the Special Assessment impact me?

Current residents of Ballymeade will not be paying the Special Assessment. It will be collected at settlement from the buyer. It will only impact you when you are getting ready to sell your home (see next question).

What do I need to do if I am selling my home?

You will need to disclose that there is a one-time, non-refundable "Capital Improvement Assessment" of \$450 on the "Seller's Disclosure Form." This disclosure is just one more item to include about the terms of joining the Ballymeade Maintenance Corporation, along with information about this being a Deed Restricted Community and that there is an annual assessment fee paid by all members.

How will this assessment be collected from the buyer of my home?

Sellers and their agents should ensure that this information, from the seller's disclosure, is forwarded to the settlement attorney.

What if my house is under contract to be sold or is on the market right now?

Since this Special Assessment was not in effect at the time you created your Seller's Disclosure Form, or when your home was put on the Multiple Listing Service, the buyer of your home is exempt from this assessment. (See the next question regarding the effective date and implementation of the assessment.)

What is the effective date of this Special Assessment?

The Board is declaring that all homes that go on the market 3 days from the date of this letter are affected by this Special Assessment. The seller, therefore, is obligated to state in their Seller's Disclosure Form that this assessment will be due at settlement.

Will there still be an annual assessment fee?

Yes. All 243 households in Ballymeade will still be responsible for paying their annual assessment fee. This fee is used to cover the annual operating costs of the community that include such items as landscape maintenance, landscape enhancements, storm water basin management, snow plowing, our management company's contract, utilities, taxes, etc. In passing the Special Assessment to be paid by new buyers, the Board intends to keep the ongoing annual assessments relatively flat in the coming years since we will not need to request an ever-increasing contribution by current residents to build the reserves.

Is the Special Assessment a legal practice?

The Board consulted with an attorney prior to making a decision to bring this issue to the community. The attorney reviewed Ballymeade's governing documents and found no specific prohibition against the Special Assessment. The Corporation does have the power to pass Special Assessments when they are necessary to maintain the private open space of the community. The attorney we consulted believes that there is justification in the governing documents to support this special assessment.

Is this Special Assessment permanent?

It will remain in effect until enough reserve funds are collected to accommodate the community's future financial needs. The assessment will be in effect until the community as a whole votes at an annual meeting to end it with a majority vote of residents present when a quorum is represented. The Board will carefully monitor the Special Assessment to ensure it is meeting the goals of the Reserve Fund.

Additional Information:

Rationale - The rationale behind this Special Assessment is to strengthen our reserve funding for the long-term needs of Ballymeade. (The Reserve Fund is essentially the community's "savings account" to be used for large capital expenses in the future.) At the time when the community was built, the Reserve Fund was created by a \$200 assessment on all original buyers of both the single family houses and the townhomes. This reserve has been added to each year out of the annual budget (currently 7% annually). The issue at hand now is that costs for maintenance and repairs, plus inflation over the last 10 years, have caused the 7% of the annual budget to be insufficient for covering the expected long-term expenditures. Instead of increasing the current homeowners' annual assessment, new homeowners will be asked to contribute their share to the Reserve Fund. New homeowners are coming into a well-established community. We have a ten year history of existing homeowners paying annual maintenance fees to enhance the development to where it is today -- a beautifully maintained community with an outstanding history of increasing property values.

Research - A study was done several years ago by a previous Ballymeade Board of Directors that revealed the replacement cost of all of the community's common property is nearly \$300,000. The common property includes the playground equipment, the tennis court (fence, net, blacktop), the sidewalks in front of common areas, the Naamans Road fence, five large storm water basins, many retention walls around the community, etc. At some point over the next 3-10 years, there will be a need to replace or repair some of these assets as they deteriorate. Although the community is fortunate to be in strong financial standing with nearly \$75,000 in an interest-bearing Reserve Fund, it is not conceivable that we could boost the reserves to the necessary levels without a new source of funding. When large expenses arise that are outside of the normal, annual operating budget, many communities resort to collecting special assessments from current residents. In order to avoid this burden to you, the existing homeowners, the Board proposed (and the community approved) that the most effective way to meet these long-term financial obligations is to implement this Special Assessment on new homeowners.

Expected Impact - The amount of the assessment on the new homeowner is fair in that it is a small fraction of the selling prices of the homes in our community. For example, on a \$400,000 home the \$450 assessment is .001125 of the value of the home. The revenue that will be generated and added to the Reserve Fund will vary each year, depending on the number of homes that are sold. If we estimate that 5 - 10% of properties might turnover in a given year, it is reasonable to expect an addition of \$5,400 - \$10,800 per year. Over time, this influx will grow our Reserve Fund to the level needed and reduce the burden to current homeowners to fund the reserves.