

To: All Members of The Bay Ho Condominium Association  
From: Board of Directors

**RE: VOTE TO SECURE A LOAN TO FUND BALCONY REPAIRS AND PAINTING PROJECT**

Dear Members of The Bay Ho Condominium Association:

As discussed at the townhall held on December 7, 2023, the Board of Directors ("Board") is considering whether to enter into a loan to fund the balcony/railing repairs and painting project ("Project"). As discussed at the townhall, some of the balcony and railing repairs are necessary to bring the Association into compliance with current building code, which is required by insurance. Some of the balcony repairs are necessary to address potential safety issues. The Board proposes the entire complex also be painted as part of the Project as costs would for scaffolding would have already been incurred for the balcony repairs and painting of the entire community.

The estimated cost for the Project is approximately \$2,050,171.00. Once the balcony railings are removed, additional unforeseen work may be necessary. The estimated cost for the Project includes a contingency for change orders. As of the date of this letter, the reserve fund contains approximately \$560,324.68. The Board, after discussion with management and legal counsel, has concluded it would not be prudent to deplete reserves entirely to fund this Project. The Board is opting not to deplete reserves as this not only would leave our community without a safety reserve, and depleting the reserves further may limit financing options and reduce owners' resale values.

Accordingly, the Board proposes to pay for the Project by entering into a quick term loan with First Citizens Bank ("Bank") in the amount of \$2,050,171. This loan would be funded by regular assessments.<sup>1</sup> The Bank has reviewed our budget and has advised that there is no need to levy a special assessment to pay for the loan.

The loan must be approved by the members. Pursuant to Section 3.9.4 of the Association's Bylaws, the loan may be approved only by the affirmative vote of a majority of the total voting power of those Members voting, so long as a quorum is present.

The proposed loan terms are as follows:

**Loan Amount:** \$2,050,171

**Loan Term:** 10-Year Fixed Term

**Interest Rate:** 6.2%

**Other:** Loan processing fee of \$500, no pre-payment penalty, Association assessment income used as collateral, and requirement to hypothecate and pledge the real and personal property owned by the Association as a real security.

<sup>1</sup> As you know, the Association increased regular assessments with the 2024 budget so the Board does not anticipate a need to increase the regular assessments to fund this Project.

If the membership does not approve the loan, the Board will likely have to levy an emergency special assessment in the approximate amount of \$9,400 per unit to pay for the repairs necessary to address the safety concerns. Additionally, the Association may need to increase the regular assessments by a maximum of 20% each year and impose a 5% special assessment each year (both which are allowed by law without a vote of the owners) to fund the repairs that are not life safety hazards.

Enclosed is a ballot for you to vote on this important matter, as well as instructions for voting, two ballot envelopes.

**Why am I Receiving a Ballot?**

The Association, through Board action alone, cannot enter into the loan outlined above on its own without a vote of the membership. The approval of the Association members is needed.

**Why is it Important for Me to Vote?**

The decision on whether to take the actions outlined above is important to our community and it is important that the membership act quickly to lock in rates and address safety issues.

The Board would like to thank you in advance for reviewing the enclosed balloting materials and voting on this important matter.

Sincerely,

Board of Directors  
The Bay Ho Condominium Association