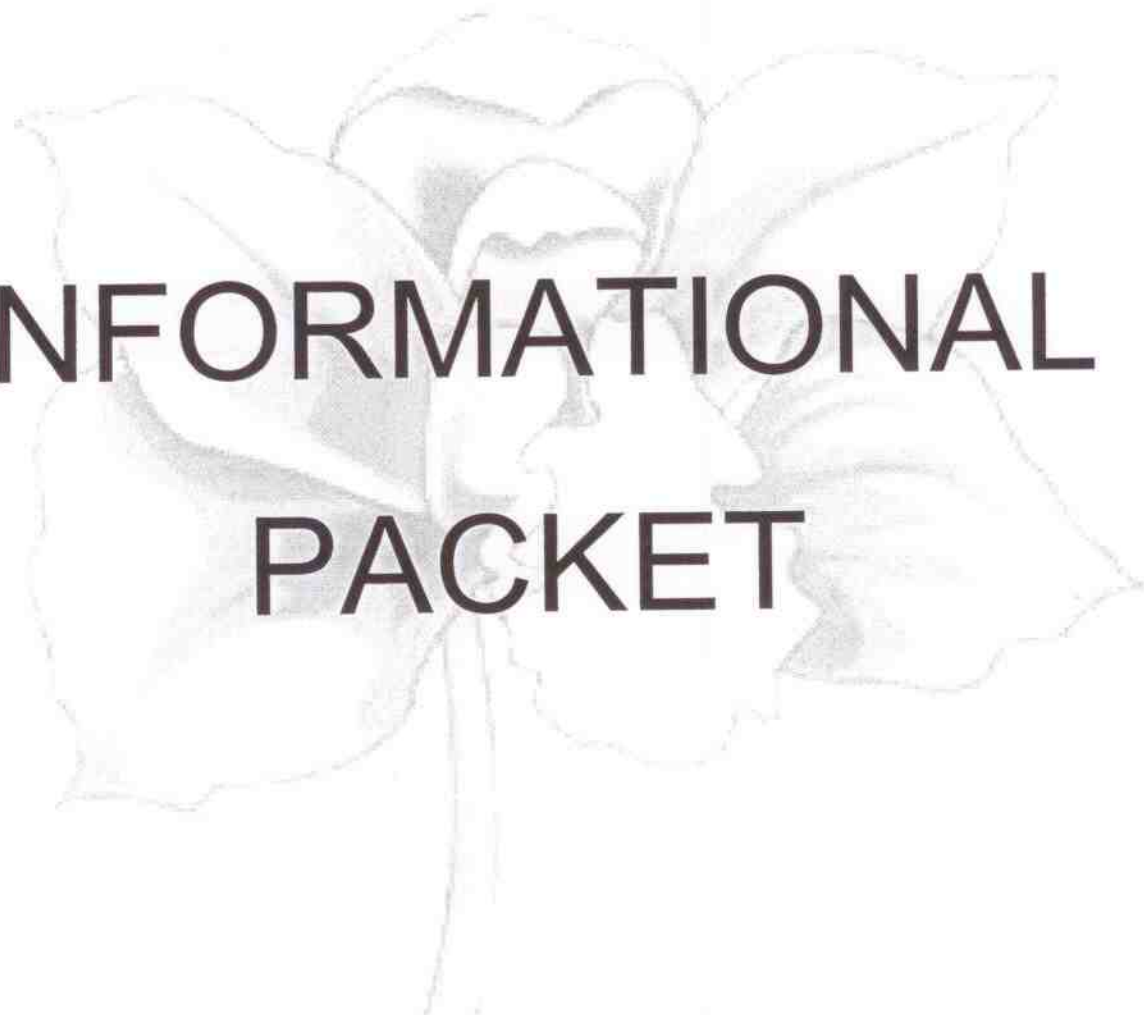


MARSH ISLAND



**INFORMATIONAL
PACKET**

MARCH 30, 2011



MARSH ISLAND

EXECUTIVE

SUMMARY

Executive Summary of Marsh Island Annexation Issue

- I. The Town of Orchid has been petitioned by a majority of the landowners of the 44.65 acre Marsh Island subdivision to consider annexation of the subdivision into the Town.
- II. The Town Council voted at its September 28, 2010 meeting to accept the petitions and in so doing signaled a willingness to consider annexation. At the same meeting, the Council voted to engage the firm of Kimley-Horn and Associates at a cost of \$4,250 to prepare an Annexation and Urban Services Report, a State requirement that must be met before an annexation can be commenced. These are the only decisions made by the Council to date in connection with this matter.
- III. The Town Council has studied the matter thoroughly and given consideration to the questions raised by various members of the community during at least three public meetings and has identified pros and cons for the proposal as follows:
 - A. The principal advantage is financial. The addition of the Marsh Island property would add annually to the Town's revenues an estimated \$12,000 in ad valorem taxes (5%) and \$2,000 (2%) in State revenue sharing at the current level of buildout and population of Marsh Island. These amounts would increase over time as buildout occurs and are estimated at \$27,500 (12%) and \$9,000 (10%), respectively based on current circumstances. In addition, the Town's share of one time revenues from permitting fees as new building is undertaken are estimated at between \$60,000 and \$100,000.
 - B. No meaningful increases in Town costs have been identified with this proposal. The only identified potential financial disadvantage would be in possible dilution of the Town's \$730,000 reserve funds by having some of those funds used in the future to benefit Marsh Island residents who did not contribute to the reserves. The impact of this potential dilution would be offset by the revenues received from Marsh Island residents in years prior to the future use of reserve funds.
 - C. The Town's liability exposure will depend on the Town's future actions or inactions related to the annexed lands. However, given that Marsh Island is in essence a private subdivision with private common areas and roads similar to Orchid Island Golf and Beach Club, it is likely that the potential liability is no greater than the liability currently

faced by the Town for land currently within the Town's boundaries. In this regard, see the Town Attorney's opinion which is attached herewith as Appendix B.

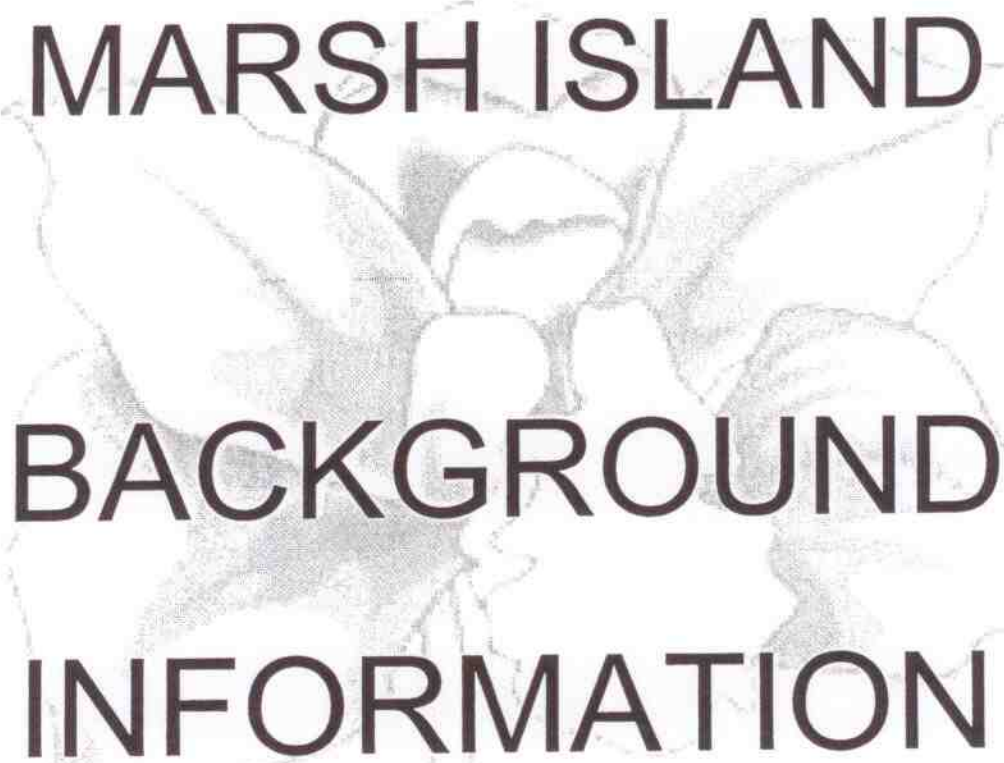
IV. Other issues raised by Council members and/or community residents attending the public meetings at which this matter has been discussed:

A. The most vocal objection to the proposal has been that the addition of Town residents outside the Orchid Island Golf and Beach Club community will in some manner destroy the unique nature of the community. It has been frequently stated that the added revenues to the Town do not justify the risk of this. The Town takes no position on this but would point out that the added revenue potential to the Town, while small on a per capita basis, is significant to the Town's efforts to avoid tax increases and/or cutting the Town services which are already at a legal minimum.

B. A commonly expressed concern has been whether the Marsh Island development is financially viable and whether the Town would be assuming additional liability if the development suffers financial failure. The Town has satisfied itself that it is not adding financial liability or exposure if it annexes a private development that fails. The Town has conducted reasonable thorough due diligence in this regard and is satisfied that the Marsh Island development has as good a chance at future success as any other high end development in the current real estate climate.

C. Two other concerns that have been expressed are whether the annexation would have any effect on the Club and/or Community Association and whether any other annexations are planned or foreseen. The annexation of Marsh Island would have absolutely no impact on the Club and/or Community Association. The simple result would be that instead of having ten residences of the Town that are not Club members we would have thirty or so unless some Marsh Island residents successfully applied for invitational memberships.

D. No future annexations by the Town are planned or foreseen at this time.



**MARSH ISLAND
BACKGROUND
INFORMATION**

Background Information Relating to Proposed Annexation of Marsh Island Area

I. What is the Issue?

Should the Orchid Town Council act favorably on the request of a large majority of the landowners of the Marsh Island subdivision that the Town of Orchid annex the 44.65 acres comprising the subdivision into the town? 16.21 acres of the property are submerged and are owned by the State of Florida.

II. What does annexation involve?

Annexation is a legal process by which a municipality can add land mass to its existing boundaries. In the State of Florida, it is governed by Chapter 171 of the Florida Statutes. The annexation process may be initiated by the Town or by petitioners of the area proposed to be annexed. In this case, the Town received and accepted petitions for the annexation from a majority of the property owners on Marsh Island. Subsequently, the Town commissioned Kimley-Horn & Associates to prepare an independent annexation and urban services report, which the Town filed with the Board of County Commissioners of Indian River County, as required by statute. A copy of this report is available at Town Hall.

In order to annex Marsh Island, the Town Council would need to adopt an ordinance after two public hearings pursuant to Chapter 171. Following the final adoption of such an ordinance, the ordinance would be submitted for a vote to the registered electors of Marsh Island. If the voters approved the ordinance by referendum vote, the ordinance would become effective ten days after the referendum or as otherwise provided in the ordinance, but not more than one year following the date of the referendum. Upon the effective date of the ordinance, the annexed area becomes part of the Town, subject to all of the laws, ordinances, and regulations in force in the Town. At such time, the annexed area also becomes entitled to the same privileges and benefits as other parts of the Town §171.062(1), Fla Stat.

On November 15, 2010, the Town Council considered an annexation ordinance on first reading. However, the Town Council voted to postpone a decision on the annexation until a later, undetermined date.

III. **Where do we stand in the process and how did we get here?**

During and prior to 2005, the then developer of the Marsh Island subdivision approached the Town of Orchid and asked that annexation be considered. Before the issue was ever formally considered by the Town Council, the developer's request was withdrawn.

In the intervening years, but most recently when a new investor purchased the development rights of the original developer, the Town has again been approached about annexation.

At the July 29, 2010 Town Budget Workshop, in the context of a discussion of town space planning, Mayor Dunlop advised the other council members present that he had again been approached about annexation by the new developer of Marsh Island. He asked for a sense of the council members present about whether he should offer to consider annexation in exchange for a commitment by the developer to make Marsh Island available for a Town Office Facility. Although no formal vote was taken, he was encouraged unanimously by those present to proceed. Councilman Johnson had excused himself from the meeting before this subject was discussed.

At the September 7, 2010 meeting of the Council to approve the millage rate for the upcoming year, Mayor Dunlop advised the other members in attendance that he was continuing discussions with the Marsh Island developer and might be calling for a meeting of the Council in late September to consider a formal request through petitions for annexation from Marsh Island owners.

A special call meeting of the Council was held on September 28, 2010 to consider two (2) items:

- A. Whether to accept petitions to the Town from 24 of the 28 Marsh Island owners to annex the Marsh Island property.
- B. Whether to commission a report from an independent engineering firm for an annexation and urban services report as required by Florida Statutes before any formal annexation procedure could be commenced.

Mayor Dunlop explained at the meeting that as an inducement to the Town's favorable consideration of the annexation petitions, the Marsh Island developer was offering to make available to the Town an opportunity to purchase at a favorable price Marsh Island property that could be used to house a Town Office Facility.

By separate vote of four-to-one (4-1) the Council approved acceptance of the Marsh Island landowner petitions and approved the engagement of the firm of

Kimley-Horn and Associates, Inc. to prepare an Annexation and Urban Services Report, at a cost of \$4,250. These actions committed the Town only to consider annexation. No other action was taken by the Council at this meeting.

Following the September 28th meeting, Mayor Dunlop wrote by email to the community explaining what had transpired and explaining the next steps in the process. Councilman Johnson, the dissenter to the September 28th votes, also wrote by email to the community with his description of the actions taken at the meeting.

Following the election on November 2, 2010, a meeting of the Town Council was scheduled for November 15, 2010 for the purpose of installing the newly elected members, electing a Mayor and Vice Mayor and making councilmember committee assignments. Once the meeting date was set, Councilmember Troxell, pursuing his rights as a member of Council, asked to have a Special Call Meeting for the annexation of Marsh Island with the objective of setting a timetable to complete the annexation by December 31, 2010.

At the Special Call Town Council meeting on November 15, 2010, which was attended by a significant number of community members, there was a first reading of Ordinance 2010-04, which had been proposed by Councilmember Troxell to annex the Marsh Island property, a discussion of the matter ensued by the Council led by Mayor Dunlop and there was the opportunity for all members of the community present to express their views. The discussion of the matter was ended with a motion, passed by a vote of three-to-two (3-2) to postpone decision on Councilman Troxell's proposal to a future date.

At the Town Council meetings on December 1, 2010 and January 5, 2011, there was further discussion of this issue, principally focused on the additional information requirements of individual Council members and the content of background material to be provided by the Town to the residents before this matter is again considered by the Council for a vote. At the December 1st meeting, the Council also decided to remove from consideration as part of the annexation process the Marsh Island proposal to sell land to the Town for a future Office Facility.

IV. What are the potential advantages and disadvantages of annexation of Marsh Island?

Potential Advantages:

The principal advantage to the Town of Orchid of the annexation of Marsh Island would be to add to our tax base and, therefore, to our Town revenues at a time of declining revenues due to declining property values.

- A. Based on current assessed values and current millage rates, annexation would add approximately \$12,000 per year to Orchid's property tax revenues. At full build out of Marsh Island, this amount could be expected to more than double. To put this in perspective, at \$12,000, this would represent a 5% increase in property tax revenues and, at full build out, a 10% to 13% increase. The only other opportunities that the Town has to increase its tax base are development of the commercial property on State Route 510 and build out of the undeveloped residential lots within the Orchid community. Adding the Marsh Island real estate assessed values to the Orchid Island real estate assessed values results in a greater base, thus mathematically a lower millage rate for property owners (the Orchid Island Golf & Beach Club too).
- B. State Revenue Sharing Programs constitute about one quarter of Orchid's annual revenues, being budgeted at approximately \$90,000 for the current fiscal year. Most of these programs are population based. The addition of the Marsh Island population is estimated to add approximately \$2,000 per year based on current year revenues, but has the potential at build out to add as much as 10% to the Town's current revenue sharing bases and to increase our share of state revenues accordingly.
- C. Following annexation, the Town would assume all responsibility for permitting and inspection for future Marsh Island construction. While this is only a one time source of revenue, with home construction having tapered off to almost nothing in the Town, it offers a source of cost sharing for these mandatory town functions. Estimates of net revenue from permit fees range from \$60,000 to \$100,000 depending on the construction value of the houses that are eventually built.

The second advantage is more difficult to describe, let alone to quantify. There are some that argue that the addition to the Town of a property with a full service marina would add to the attractiveness of the Town to potential residents. That is hard to argue with, but unless that marina affords some privileges to existing Town residents, its attractiveness is hard to measure. Future developments will probably determine just how valuable this advantage would be.

The third advantage is land use control. The Town, through its ability to control land use through zoning and permitting, would control present and future development of Marsh Island.

Potential Disadvantages:

To date the Council has identified no measurable financial disadvantages from annexation and no contingent liabilities that would be measurable other than as described herein.

A. The Kimley-Horn report concludes that there would be no need for the Town to add any infrastructure in order to meet its urban services responsibilities. This is because both Marsh Island and the current Town constituency receive urban services from the same sources.

- Water and Sewer are provided by the County
- Electric and Gas Utilities are provided by common private companies.
- Security is provided by the County Sheriff and Property Owners Associations
- Roads are owned by Property Owners Association
- Fire Protection is provided by Indian River County
- Emergency Medical is also provided by Indian River County
- The County is responsible for collecting all taxes – even in bankruptcy and foreclosure

B. The Town would be required to include Marsh Island in our Law Enforcement Reports, but this could be accomplished at no additional cost. We would also be required to include Marsh Island residents in our Refuse Collection Programs when their current contracts expire. This cost would be modest and covered under their millage rate.

No potential liabilities to the Town have been identified as arising from the annexation proposal. The Town Attorney has provided an opinion regarding potential liabilities. According to such opinion, the Town's liability exposure will depend on the Town's future actions or inactions related to the annexed lands. However, given that Marsh Island is in essence a private subdivision with private common areas and roads similar to the Orchid Island Golf and Beach Club, it is likely that the potential liability is no greater than the liability currently faced by the Town for the land currently within the Town's boundaries. The Town is aware of one pending condemnation action on Marsh Island. In this regard, the Marsh Island Homeowners Association has offered to indemnify the Town against any costs incurred by this condemnation, if the condemnation is not completed before the annexation and the Town becomes liable for any costs.

There is the potential for dilution of the Town's Financial Reserves existing at the effective date of annexation. These Reserves currently total approximately \$730,000 and are effectively non-interest bearing because of State constraints on their investment. Such dilution would occur if in the future, the Town Council appropriated these pre-annexation Reserves for a purpose that benefited all post-annexation citizens of the Town. Put differently, future Marsh Island residents of the Town could benefit from reserves to which they did not contribute.

As a financial disadvantage, this is almost impossible to quantify. To do so one would have to know when the existing Town Reserves would be used to benefit Marsh Island residents, the amount of their future benefit and how that amount would compare to the accumulated benefit to the Town that had been received from those residents since they had become part of the Town through annexation.

For example, assume that two (2) years following annexation there is a hurricane causing serious damage to both the Orchid Island and Marsh Island communities, as a result of which the then existing Town Council appropriates \$200,000 of its Reserves for cleaning up debris in the streets of the Town. Assume further that \$20,000 of that appropriation is used for Marsh Island's one street. Has the Town suffered a financial disadvantage if at that point in time the Town has collected \$40,000 of net new revenue from Marsh Island residents?

V. What are the other issues and considerations?

Other Issues and Considerations:

No member of the Town Council has property ownership or other financial interest in Marsh Island?

No member has any such interest.

Real Estate Impact:

Would the annexation of Marsh Island enhance the prospects for sale of Marsh Island real estate at the expense of Orchid Island real estate which is on the market for sale?

- A. If our Town is in fact as attractive to prospective buyers as we think it is, it is likely that the inclusion of Marsh Island in the Town would add to the attractiveness of Marsh Island real estate. This is no doubt the principal reason why Marsh Island landowners have approached the Town about

annexation over the last six (6) years. Whether this advantage to Marsh Island landowners would come at the expense of Orchid Island homeowners is a question that only the future real estate market and/or perhaps real estate experts can answer.

- B. There would be no Marsh Island competition for beach properties and the Orchid Island condominiums because Marsh Island has none. The typical Marsh Island home also tends to be considerably larger than the average Orchid home so that one might be able to conclude that Marsh Island homes would not be competing with the majority of Orchid homes. But, at the larger home end of the market, there would be competition. The question then might be whether Marsh Island attracts a different kind of buyer because of its marina and attractiveness to boaters rather than the golfers who are attracted by Orchid Island's Golf and Beach Club facilities.

Character of the Town:

The Town of Orchid is presently somewhat unique in that its Town limits currently encompass only one Homeowners Association and a club to which almost all of the Town's residents belong either as Golf Members or as Beach and Tennis Members. Is there a risk of destroying this characteristic by annexing property which has a separate Homeowners Association and a different club in the form of The Marina Association and Clubhouse?

There is certainly some risk of losing a certain cohesion that could result from the current uniqueness of the Town. However, the demographics of the Marsh Island property and current and potential Marsh Island homeowners appear to be very similar to the Orchid Island demographics. The plan for the Marsh Island community involves large and, by definition, expensive homes which will be able to attract only buyers of significant means. In that respect, they should be no different than the people who are attracted to Orchid Island; except perhaps they may be more interested in boating whereas current Orchid residents may be more interested in golf and/or tennis.

Impact of Town Code and Ordinances on Marsh Island Residents:

Will there be any need to accommodate the Town Code and Ordinances to the Marsh Island residents post annexation?

- A. It is unlikely that any current Marsh Island construction would not comply with the Orchid Code and Ordinances because their subdivision plan and building permits were approved by the County and our Code for Residential Properties is no more restrictive than the County's. If it is determined that there are some exceptions, then they would be

grandfathered. In the event the Town Council determined that a serious issue existed because a Marsh Island property failed to comply with Town Code, the Town would require compliance to the extent permitted by law.

- B. From the effective date of an annexation going forward, all Marsh Island residents would be subject to all Town of Orchid Ordinances just like any resident of Orchid including construction of new residences is concerned, Marsh Island residents would not be subject to Orchid Island Property Owners Association or Architectural Review Committee Standards. They would be subject to the standards of their own Marsh Island Property Owners Association.

Financial Condition of Marsh Island:

Does the Town need to be concerned with the financial viability of the Marsh Island Development?

- A. Legally or technically, the Town has no interest in or exposure to the financial viability of the Marsh Island Development. If it fails, there is no legal consequence to the Town that would result from a private development failure within the Town limits.
- B. Practically, the Town does have an interest. If the development fails, then our assumptions as to increased revenue base and revenues would be incorrect and our principal advantage from annexation would not be achieved.

What has the Town done to satisfy itself that the development is more likely than not to succeed?

- A. We have had extensive discussions with the developer, the current owner of remaining development rights and perhaps, most importantly, with the current President of the Marsh Island Property Owners Association. They have shared with us their current plans and hopes. During the period of these discussions, they told us of the developer's intent to complete his turnover to the Property Owners Association and the terms of that turnover. It was in fact accomplished on schedule in early December.
- B. We have been provided with all of the financial information regarding the Property Owners Association that we have requested. Our review of this information leads us to conclude that the Association is currently financially viable and is heavily dependent upon the ability and willingness of the large property owners to meet their financial commitments.

- C. We are in no position to predict the future success of the development, but nothing has come to our attention that would suggest that it does not have a reasonable chance of success as any other high end development in the current real estate market.

Relationship of Annexation to the Club:

What effect would annexation have on the Orchid Island Golf and Beach Club?

- A. The short answer to this question is absolutely none. There is absolutely no connection between the issue of annexation and the Club.
- B. On the positive side, the Marsh Island Owners might be a logical source for new invitational members if that is a desirable objective.

Future Annexations:

Does the Town have any plans for future Annexations?

The Town currently has no plans for future annexation. This proposal was the result of requests from Marsh Island landowners going back over several years. It was initially pursued by the Town in large part because of frustration over the Town's limited options regarding future office space availability within the Town limits. When thoroughly examined, it offered the potential for other benefits without any disadvantages.

Addendum to Background Information

1. Excerpts from the Annexation and Urban Services Report prepared by the firm of Kimberly-Horn and Associates.
2. Opinion letter dated January 4, 2011 from the firm of Brown, Garganese, Weiss & D'Agresta, P.A. regarding potential liabilities and responsibilities.
3. Copy of unaudited Balance Sheet of Marsh Island Homeowners Association, Inc as of November 30, 2010 and estimated income statement for the calendar year 2010.

APPENDIX

A

**MARSH ISLAND
LEGAL & FINANCIAL
ANALYSIS**

Marsh Island Legal and Financial Analysis

INTRODUCTION

The concept and execution of the legal and social aspects of annexation is an important decision for any community. Once annexation has taken place it is close to impossible to reverse.

"When a municipality annexes land into its corporate boundaries, the municipality takes jurisdiction over the land. The land will, therefore, be subject to all laws, ordinances and regulations in force in the annexing municipality and shall be entitled to the same privileges and benefits as other parts of the municipality upon the effective date of the annexation." * Opinion of Town Attorney to Orchid Town Council

Any unfavorable development within the annexed community that comes to the attention of the press could have serious repercussion on the marketability of property in both the annexed community and the annexing community. Because we have been approached by Marsh Island we have a right and they have an obligation to supply the information that we need for a complete evaluation.

PRINCIPAL PLAYERS

Marsh Island Development Company (MIDC) – Florida Limited Liability Company with a mailing address of 645 5th Avenue, 8th Floor, New York, NY 10022 formed by Mr. Mann and Mr. Wolff as the holding company for their interests in the Marsh Island development and three lots on Route 510 in front of the Marsh Island.

Marsh Island Homeowners Association (HOA) – Florida Non-Profit Corporation, c/o A.R. Choice management, 333 17th Street, Vero Beach, Florida; the legal representative organization that represents the interest of the property owners.

George Allen – Experienced developer, Marsh Island homeowner and prior President of the Marsh Island Homeowners Association

John Von Hagen – Current President of the Marsh Island Homeowners Association

BACKGROUND

The 44.65 acres of Marsh Island under discussion consists of approximately 16.2 acres under water and dates its legal development from the original development in 1982 and amended in 1985. "Both plans provided for 109 units of multi-family housing units. Some residential structure, infrastructure, and a 32 slip marina facility were constructed years ago under the 1982 plan. Due to lack of construction, the 1985 amended plan that superseded the 1982 plan expired and is no longer valid." (Indian River Memo, November 8, 2000)

In November of 2000 Kimley-Horn and Associates submitted a new application for a "Planned Development" to the Board of County Commissioners that was approved creating what is essentially what we see at Marsh Island today.

The new and current planned development was approved by the County calling for 32 units consisting of a variety of single-family lot types and the 32 slip marina. In addition there are three (3) other lots, owned by Marsh Island Development Company North of Route 510 that were not approved as part of the Marsh Island Development, but clearly are important to the long term success of the development because of their visual impact on the entrance to Marsh Island.

Since the approval in 2000, ten (10) homes have been built of which seven (7) are at least seasonally occupied. One of the ten (10) is subject to a condemnation action by the County and two (2) of the homes and one (1) lot are in the process of foreclosure. One home that was built by a local builder for resale is now occupied by the builder and his family. It is fair to say that most of the homes built on Marsh Island were built for immediate resale. Only six (6) sales of property have taken place in the last four (4) years.

CURRENT

In 2002 the present developers, Steven Mann and his brother-in-law Ira Wolff of New York City formed Marsh Island Development Company (MIDC) to gain control of the development after working with the bank that was involved with the securitization of the development. A number of structures were built under their tenure, including a home for Mr. Mann and his wife Sharyn who was the registered owner. Their house has been sold to Mr. John Von Hagen the current President of the Marsh Island Community Association. Mr. Von Hagen has no legal involvement in MIDC. He is President of the Homeowners Association.

Since Mr. Von Hagen's purchase of his home and his election as President of the Marsh Island Homeowners Association he has worked diligently on how he would like to organize and manage to help Marsh Island become the Community envisioned by earlier developers. He has succeeded in bringing about a turnover by the MIDC to the

Homeowners Association on December 1, 2010, and created the initiative leading to possible annexation by the Town of Orchid.

TURNOVER

Through the efforts of Mr. Von Hagen, Mr. George Allen (the owner of a house on the marina and the former President of the Marsh Island Homeowners Association) began the process of gaining Homeowner Association control of a project that needed a new vision. Mr. Von Hagen and Mr. Allen convinced Mr. Mann and Mr. Wolff that it was in their best interest and the best interest of the owners of property that a turnover to the Marsh Island Homeowners Association should take place.

Under the turnover agreement the developer MIDC would:

1. "In lieu of Developer's deficit funding and/or assessment payment obligations to the Association up to the turnover date" MIDC would pay the Marsh Island Homeowners Association \$100,000. MIDC has paid the \$100,000.
2. Convert Class B memberships into class A memberships. MIDC owned all the class B memberships that "held the right to appoint the Board of Directors of the Association"
3. Accepted the request of the "Club" members (slip owners) to convey the boat slips "currently subject to the exclusive use of members..." to a new dockominium that would permit non-membership ownership.
4. The turnover of "common properties" to the Homeowners Association composed of:
 - Tract A – 18.1 Acres of wetland that surround Marsh Island
 - Tract D – The ground under the inland lake
 - Tract E – The Clubhouse
 - The roadway within Marsh Island
5. In addition, MIDC would pledge to pay the monthly fees attributable to their ownership of four lots and eleven (11) boat slips, and that Sharyn Mann would also remain current on her obligations.

It is of note that tract C, the entire marina area will be included in the proposed dockominium conversion and therefore would be owned by boat slip owners. If the dockominium conversion does not take place the marina would remain the property of MIDC. The turnover agreement includes the following: "The Common Properties are and shall be conveyed in their "AS IS, WHERE IS, WITH ALL FAULTS" condition including, without limitation, the damaged boardwalk and gazebo in Tract A of The Properties". (Emphasis in document; not added)

MR. GEORGE ALLEN

Prior to the December 1, 2010 turnover, Mr. Allen obtained an option for two years on the development rights for four (4) lots plus four (4) boat slips owned by MIDC. Mr. Allen obtained the rights without the payment of cash but rather for what the lawyers would call "good and valuable consideration".

It has been brought to our attention that Mr. Allen, due to his management responsibilities for other projects, will most likely not exercise his option on the development rights for the four (4) lots and the four (4) boat slips. It has been reported by a number of people that he is no longer active in the development at Marsh Island and has rented his house on the marina. Mr. Von Hagen has indicated that Mr. Allen continues to serve on the Board of Directors of the Homeowner Association

MARSH ISLAND DEVELOPMENT COMPANY (MIDC)

Although MIDC has exchanged its class B shares for Class A, giving up their rights to appoint the Homeowner Association Board, it is still a major owner holding title to four

(4) water front lots, eleven (11) boat slips, the three (3) lots north of 510, Tract C, the entire marina property, and possibly ten (10) new marina boat slips. In addition lot 12 is owned by Mrs. Mann who must be classified as an "interested party".

The three (3) lots north of 510 that are not zoned or incorporated in any way with Marsh Island yet they are critical to the long term success of the development. It should be an important objective of the Marsh Island Homeowners Association to gain control of those properties from MIDC because they control the most important visual aspect of the property. Without an agreement between the Marsh Island Homeowners Association and MIDC the future of the Marsh Island Community could be harmed by and inappropriate use of the site. If annexation occurs, the Town would control zoning on the three (3) lots.

Apparently, MIDC has a substantial bank obligation secured by their property at Marsh Island. The Marsh Island Homeowners Corporation has been informed that the MIDC is in default on their loan. The bank is delaying action on the loans with the hope that the actions of the Marsh Island Homeowners Association will produce enough progress to allow the Marsh Island Development Company to bring their loans current.

POTENTIAL OWNERSHIP CONFLICTS

MARINA

An important part of the Marsh Island story is both the construction of the marina and the proposed plans to convert the marina into a "Dockominium". The original concept