

July 18, 2007

THE SALT POND HOMEOWNERS ASSOCIATION, INC.

NOTICE OF SPECIAL HOMEOWNERS MEETING

Saturday, August 11, 2007 at 10 a.m.

Salt Pond Community Center, Bethany Beach, Delaware

Notice is hereby given that the Board of Directors of The Salt Pond Homeowners Association, Inc. (the "Association") has called a special meeting of the homeowners of the Association for **Saturday, August 11, 2007 at 10 a.m. at the Salt Pond Community Center, Bethany Beach, Delaware** to consider and vote on three Resolutions relating to (i) the option to purchase the Salt Pond golf course land and business, (ii) a special assessment to pay for such purchase and (iii) the taking of appropriate steps to secure supplemental financing for such purchase. Members may be present in person to vote at the Special Meeting, or may submit a proxy that will allow them to vote but not be present at the Meeting. A proxy is included with this Notice. **All members are encouraged to fill out the enclosed proxy and return it, whether they attend or do not attend the Special Meeting, so that their views on the matters to be presented at the meeting will be represented. If you have already submitted your proxy at the July 14, 2007 Informational Meeting and you do not wish to change your vote, no action is necessary.**

BACKGROUND

On May 25, 2007, the Association concluded the negotiations with the developer of the Salt Pond community, Salt Pond Associates and related individuals and entities (collectively, the "Developer"), relating to the turnover of the common areas and community amenities of Salt Pond. The Association is now the legal owner of these common elements, and your Board of Directors is diligently working to continue to prepare plans for the ongoing maintenance and upkeep of these common areas, pools, recreational facilities, roads, storm water facilities, ponds, pathways and the beach area for the benefit of all the property owners here in Salt Pond.

As was disclosed in the Notice of Annual Meeting, and discussed in depth at the annual meeting, as part of the negotiations with the Developer, the Association was granted the right to obtain control over the most significant non-common area property within Salt Pond – the Salt Pond Golf Course. The Agreement with the Developer, dated May 25, 2007, provides the Association with the right to purchase, for a total of \$2.3 million, the golf course business and land, thereby preventing the future development of this open space by the Developer and giving the Association the final say on how the golf course property will be managed and cared for in the future.

Under the terms of that Agreement, which can be obtained by visiting www.sphamembers.org, by viewing such Agreement at the Salt Pond Community Center or by inspecting it at the offices of our property management company, Legum & Norman, C4 Edgewater – Sea Colony East, Bethany Beach, DE 19930, the Association has until **November 2, 2007** to exercise that option to purchase. In order to make that purchase, the Association will need to make an assessment on each and every lot or home in Salt Pond, and after calculating the costs of purchase, associated expenses and anticipated start up costs, it is expected that the assessment cost per home or lot will be \$5,000. This will be a one time assessment, separate from your other assessments. As discussed below, the Board is arranging some financing options for homeowners to borrow the required assessment funds, yet structure a loan repayment plan to meet their specific cash availability.

(See reverse side)

To make that special assessment, a vote of 2/3rds of the homeowners is needed – an approval by a total of 359 homes or lots out of a total of 538. Without this assessment, the Board is unlikely to be able to move forward with the Association’s exercise of the option. Accordingly, the Board has called this Special Meeting of the members of the Association to consider and vote on the exercise of the option to purchase, the imposition of the special assessment and the taking of other actions that would allow the Board to carry out the exercise of the option and the purchase of the golf course and related business. In that regard, the Board passed the resolutions, as they are fully set forth on the proxy included herewith, and directed that they be presented to the members at this Special Meeting for consideration and possible adoption.

The Board of Directors Recommends that the Members Vote in Favor of the Resolutions on the Proxy

During the negotiations with the Developer, the ongoing operation and future of the golf course were among the primary concerns of the Board. Maintenance of joint use roads, paths and facilities; acceptable upkeep of the golf course landscaping, grounds and ponds; user interplay with homes, common areas and residents; and the possible future development of the golf course as additional residential development were foremost on the minds of Board members in connection with seeking to reach consensus with the Developer. After extensive discussions over many proposed alternative ways to address the Board’s concerns, the parties agreed to an option to purchase. This option allows for the residents of Salt Pond to decide now what they want for the future of their community with respect to the ongoing presence of the golf course/open space within the community.

The golf course and its associated open space are the distinguishing feature of the Salt Pond community, and are an integral part of the ambience and setting of this residential resort community. The golf course separates Salt Pond from other developments in and around the Bethany Beach area, and adds immeasurably to the desirability of purchasing a primary residence or investing in a second home here. Whether you are a golfer or not, the golf course provides a setting of open space, wild life habitat and scenic views for each and every owner and guests. Development of the entire golf course into single homes or multi-family condominiums as the Developer or others might do is inconsistent with all of our expectations when we purchased here, and, most importantly, will significantly degrade the overall quality of life we experience here and negatively impact property values of each of the current owners.

The Board, wishing to gain control of the golf course for the community to manage the open space and lands in the best interest of the residents and to retain the resort quality lifestyle that attracted us to Salt Pond, is therefore recommending a favorable vote on the Resolutions in the enclosed proxy.

The Process Moving Forward Should the Resolutions Pass

Should the Resolutions be approved by the Association’s membership, the Board intends to request payment of the assessment in advance of the closing on the purchase. The closing will be required to take place within 60 days of the date of the exercise of the option. Such an assessment would likely be due and payable sometime in late fall of this year. Members will be given the option of making the assessment payment all at once, or making three installment payments of \$1,667 plus interest, the first one payable when assessed and then each of the remaining two on each anniversary date in each of the following two years. There will only be interest on the second and third payments. The Board has also arranged with Wachovia Bank for the ability for each qualified homeowner to obtain a homeowner’s line of credit with a favorable rate of interest and no closing costs. This way, a homeowner can borrow funds to make the payment to the SPHA and can extend out their payments and tailor the size of their loan payments to the bank to meet their budget. More information on this opportunity will be available should the Resolutions be approved.

Your Board is committed to making sure that you have full and complete information on this very significant decision you are being asked to make. Enclosed are answers to some frequently asked questions concerning this option to purchase, and a map of Salt Pond, including the golf course lands. Additional information about the option to purchase is available on the Association's website, www.sphamembers.org. The Board is also available to discuss any questions or concerns you may have. Please feel free to contact any one of us. Our contact information is shown below, or you can access the website to email the Board. We will be happy to discuss the specifics of any issue that you believe needs to be addressed.

The future of the Salt Pond Community is in all of our hands. To allow this opportunity to be lost would inflict incalculable harm on the community. The Board of Directors urges you to support the community and to vote in favor of the Resolutions on the enclosed proxy. The Board thanks you for your favorable consideration of this important issue.

Please fill out, sign, and date the enclosed proxy and return it to Legum & Norman by fax (302-539-1447), or by mailing the enclosed form to Legum & Norman, C4 Edgewater – Sea Colony East, Bethany Beach, DE 19930, Attention: Donna Hemphill. Thank you!

Salt Pond Homeowners Association

Board of Directors

President	Bill Kester	302-539-3939
Vice President	Dick Crawford	302-539-2450
Secretary	Gerry Buckley	302-539-2342
Treasurer	Chuck Gularson	302-539-8228 301-840-8456
Member	Katherine Coulson	302-539-3935
Member	Don Praisner	301-572-4647 302-539-6816
Member	John Gilsean	302-539-5873
Member	Michael Headman	302-537-4395
Member	Bev Thierwechter	302-537-4757