

Ballot Measure

November 9, 2013

NOTICE OF SPECIAL MEMBERSHIP MEETING OF HMC MANAGEMENT

Notice is hereby given pursuant to Article 4 of the Bylaws of HMC Management that a Special Meeting of the Membership will be held on Saturday, November 9, 2013 at 12:00 Noon at the HMC Community Center on Herron Island. At the Special Meeting, the Membership will vote on one (1) Ballot Proposition that is presented by the HMC Board of Directors as described below.

Members may vote in person at the Meeting or by mailing or delivering the enclosed Ballot forms to the HMC Office so that they are received prior to the starting time of the 10:00 am regular Board Meeting. *Note: Your Ballot will not be counted if you do not put both your name and your signature on the large envelope.*

BALLOT PROPOSITION

Should the 2005 Second Amended and Restated Bylaws of HMC Management be amended with respect to the following definitions and provisions, as discussed in this Ballot:

Article 1, Section 1.6.4 (Assessable Unit);

Article 1, Section 1.6.24 (Lot); and

Article 7 (Allocated Interests).

If adopted by the Membership, this Bylaw Amendment shall be effective November 9, 2013.

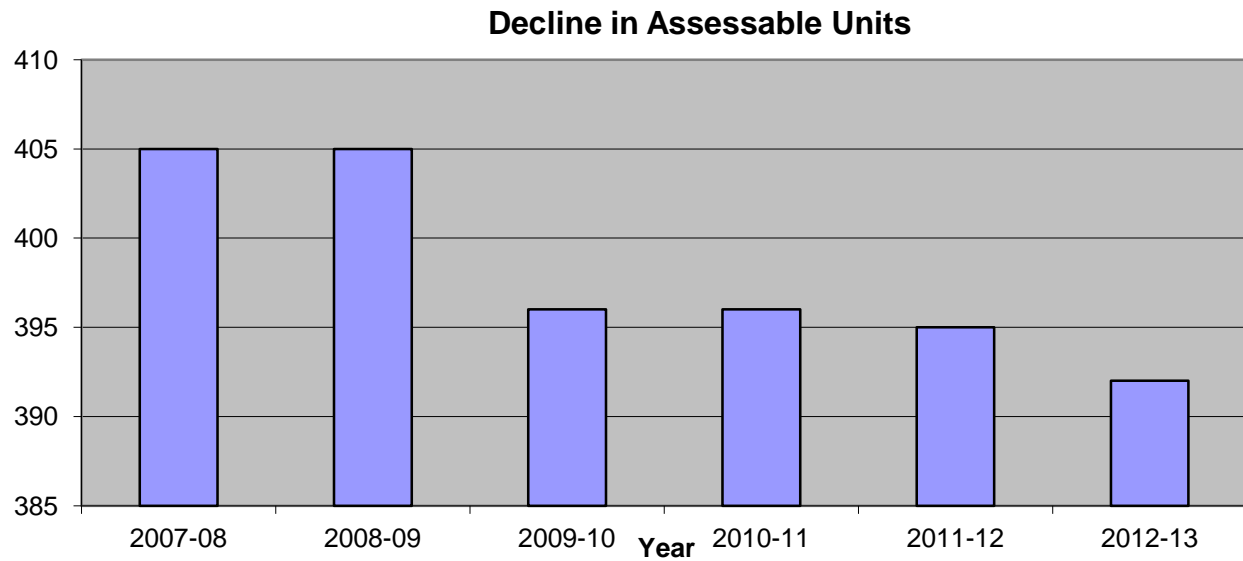
BALLOT EXPLANATION

Over the past several years the number of Membership Assessments has been eroding due to contiguous lot purchases by Members who own touching properties. This has resulted in a significantly reduced Assessment revenue base and higher costs to the remaining Assessable Units (AUs), as there are fewer Assessable Units to share the costs of HMC operations.

Currently the Bylaws provide for a single Assessment tied to multiple Lots if those Lots are contiguous (touching at any point) or non-contiguous if they are used as a drain field serving a Member's house. While all existing contiguous properties will be "grandfathered" in and will continue to permanently enjoy a single Assessment, contiguous properties that are purchased, sold, or have changes in Title after November 9, 2013, will become separate AUs. Furthermore, conveyance of property will no longer be permitted to reduce the number of AUs. This is the best way to manage the continued erosion of the number of AUs and ensure fairness for all Members. The sole exception to this provision would be the sale of HMC properties that represent a continuing tax, maintenance, or liability burden to HMC. The sale of such properties may be joined to an existing AU if contiguous to a property that is held in the same ownership as the purchasing party.

*Again, all contiguous properties currently assessed with **ownership title duly recorded by Pierce County on or before November 9, 2013** will continue to be assessed this way. The only time a grandfathered property will be separately assessed is if it is parceled out and sold as a separate lot or lots. Under those circumstances the parceled lot/s will become separately Assessable. Otherwise grandfathered status remains with the property indefinitely regardless of the owner. Only new sales or title transfers of property that become newly contiguous will become AUs.*

Over the past six years, the number of AUs has declined from 405 to 394. The following chart illustrates the decline in the number of AUs over that time.



The Board has carefully considered all of the ramifications of this action and asks that you affirmatively vote for this change.

PROPOSED CHANGES TO BYLAWS

Existing Provision: Bylaw Section 1.6.4 currently reads as follows:

1.6.4 “Assessable Unit” means a contiguous parcel of real property all of which is held in the same ownership, comprised of one or more Lots which touch each other at one or more common points, and containing not more than one Home; provided that an Assessable Unit may contain a noncontiguous Lot which is separated from the contiguous parcel if that noncontiguous Lot is held in the same ownership as the contiguous parcel and is used for a septic drain field for the Home on the Assessable Unit.

Proposed Provision: Change Bylaw Section 1.6.4 to read as follows:

1.6.4 “Assessable Unit” means a contiguous parcel of real property all of which is held in the same ownership, and containing not more than one Home; *provided that*, a noncontiguous Lot that is held in the same ownership as the Assessable Unit shall not be considered a separate Assessable Unit so long as it does not contain a Home and so long as it is used as a septic drain field for the Home on the Assessable Unit; *provided further that*, this definition shall not be applied retrospectively; each Assessable Unit based upon Title duly recorded by Pierce County as of November 9, 2013 shall continue to be considered an Assessable Unit for the purpose of these Bylaws with respect to the financial and voting obligations of the Assessable Unit as set forth in these Bylaws.

Existing Provision: Bylaw Section 1.6.24 currently reads as follows:

1.6.24 “Lot” means any plot or parcel of land shown upon a Recorded Plat of a Subdivision which has been deeded to an Owner, together with and including all Improvements constructed thereon, but excluding the Common Areas.

Proposed Provision: Change Bylaw Section 1.6.24 to read as follows:

1.6.24 “Lot” means any plot or parcel of land shown upon any of the Recorded Plats identified in Paragraph 1.6.36 below (definition of “Property” or “Properties”) that has been deeded to an Owner, together with and including all Improvements constructed thereon, but excluding the Common Areas.

Existing Provision: Article 7 currently reads as follows:

ARTICLE 7. ALLOCATED INTERESTS

The Allocated Interests for each Lot for the purposes of Common Assessment Liability and Votes in HMC are determined without reference to the size, location, or value of the Lot. The Allocated Interests are based on the following criteria:

7.1.1 For fiscal year 2003, each Member shall have a single Common Expense Liability and a single Vote regardless of the number of Lots which the Member owns.

7.1.2 The method of determining Allocated Interests established in Paragraph 7.1.5 shall be phased in over three (3) years beginning in fiscal year 2004.

7.1.3 In 2004, the Members will have a single Common Assessment Liability and a single Vote for the first Assessable Unit that they own and one-third (1/3) of a Common Expense Liability and one-third of a Vote for each additional Assessable Unit that they own.

7.1.4 In 2005, the Members will have a single Common Assessment Liability and a single Vote for the first Assessable Unit that they own and two-thirds (2/3) of a Common Expense Liability and two-thirds of a Vote for each additional Assessable Unit that they own.

7.1.5 Effective in fiscal year 2006, Members will have a single Common Expense Liability and a single Vote each Assessable Unit they own.

Proposed Provision: Change Bylaw Article 7 to read as follows:

ARTICLE 7. ALLOCATED INTERESTS; CREATION AND ELIMINATION OF ASSESSABLE UNITS

7.1 The Allocated Interests for each Lot for the purposes of Common Assessment Liability and Votes in HMC are determined without reference to the size, location, or value of the Lot. With respect to Allocated Interests, Members have a single Common Expense Liability and a single Vote each Assessable Unit they own.

7.2 No conveyance of a Lot or Lots shall eliminate or have the effect of eliminating an existing Assessable Unit.

7.3 Every sale of a Lot owned by HMC shall create a new Assessable Unit, provided that, no new Assessable Unit shall be created by the sale of a Lot owned by HMC if the Lot being sold is contiguous to an existing Assessable Unit and, after the sale, is held in the same ownership as the existing Assessable Unit.

VOTE ON BALLOT PROPOSITION

- ☐ YES (For Ballot Proposition)
- ☐ NO (Against Ballot Proposition)

The HMC Board of Directors recommends approval of this Proposition.