

**Ballot Measure**

**March 19, 2011**

**HMC MANAGEMENT BALLOT**  
**March 2011**

**Subject of Vote:** This HMC Ballot involves consideration of two Ballot Measures regarding the HMC Water System Replacement Project (the “Water Project”).

**Due Date for Return of Ballots:** All Ballots are due to the HMC Office no later than **10:00 a.m. on March 19, 2011**. All valid Ballots received by that time will be counted at a Special Membership Meeting on that day (to be held immediately following the Regular Board Meeting). If you prefer to vote in person, please attend this Special Membership Meeting to submit your Ballot by hand carry and ensure it is received into the office by the 10:00 am deadline.

**Important Note About This Ballot**

HMC Bylaws set forth unique requirements in situations where Members are being asked to decide on the release and transfer of an HMC asset such as the HMC Water System. These situations are governed by HMC Bylaws Sections 4.6 (Quorum), 4.9 (Actions without a Meeting) & 8.5 (Common Area Dedication), as well as RCW 24.03.215. In order for there to be an appropriate Quorum for the vote, at least 10% of the Votes in the Association entitled to be cast, who are Members in Good Standing, must be cast. In order for there to be an affirmative vote, although the Bylaws require more than 50% of the total membership to vote in favor of releasing and transferring the HMC asset to a third party (i.e., not just a simple majority of those casting votes), Revised Code of Washington (RCW) 24.03.215 requires a heightened standard of two-thirds of the total membership to vote in favor. This statute is applicable where there is a vote regarding a sale or other disposition of the Association’s assets that are sold or disposed other than in the ordinary course of business. This is in fact what is being proposed and therefore trumps the lower voting standard of the Bylaws. Currently, HMC has 396 Members. As such, in order for there to be a transfer of the HMC Water System, at least 264 Members must affirmatively vote to transfer it. If the vote results in fewer than 264 votes being cast to approve the transfer of the HMC Water System, the HMC Water System will not be transferred. If authorization is given by the Members to transfer the proposed HMC asset, the Board may still, in its discretion, and it so reserves the right herewith, to abandon the transfer without further approval or action by the Members in accordance with RCW 24.03.215.

HMC Bylaws also set forth requirements in situations where Members are being asked to decide on an action that pertains to an HMC asset that is being retained (such as voting to retain the HMC Water System or voting on choices for financing the HMC Water System Replacement Project). These situations are governed by HMC Bylaws Sections 4.6 (Quorum) and 4.9.1 (Written Ballot Authorized), which call for a simple majority of Votes Cast to approve the action (i.e., only 51% or more of the total Votes Cast).

## **VOTING INSTRUCTIONS**

**March 2011**

1. Indicate your choice by checking the one of the option(s) given on each of the included Ballot Measures. No vote will be counted for a particular Ballot Measure if no check is entered for that Ballot Measure or if more than one option is checked on that Ballot Measure. Make no other markings on the Ballot.
2. Insert your marked Ballot in the small envelope marked "Ballot" and seal the small envelope. Do not mark the small envelope or place anything other than your Ballot in this envelope.
3. Place the small envelope marked "Ballot" into the large envelope. **Sign the large envelope and make sure that your name and address appear on the large envelope. If your name and signature do not appear on the outside of the large envelope, your vote will not be counted.** Make sure that your name is legible on the outside of the large envelope. If your name cannot be read, the Ballot will not be counted.
4. For your vote to be counted you must be a Member in good standing, i.e., all of your assessments and delinquent charges (if any) must be paid in full prior to the date on which the Ballots are counted.

**BALLOT MEASURE #1**

**March 2011**

This Ballot Measure asks you to decide between the following two options:

1. **RETAIN** HMC water rights and ownership of the HMC Water System by authorizing HMC Management to complete the HMC Water System Replacement Project through a financing method to be determined, but not to exceed the rates and estimates shown in the Voter's Pamphlet by more than 5%.
2. **TRANSFER** ownership of HMC water rights and the HMC Water Distribution System to H&R Waterworks, a private utility, provided that H&R Waterworks agrees to complete the HMC Water System Replacement Project within the funding terms listed in the Voter's Pamphlet included with this mailing;

**CHECK ONE:**

\_\_\_\_\_ **RETAIN** Ownership with HMC and authorize loan to accomplish the HMC Water System Replacement Project

\_\_\_\_\_ **TRANSFER** Ownership to H&R Waterworks and assign responsibility to H&R Waterworks to accomplish the HMC Water System Replacement Project;

**BALLOT MEASURE #2**

**March 2011**

The results of this Ballot Measure will only apply if HMC votes to retain ownership of the HMC Water System and HMC obtains a loan to accomplish the HMC Water System Replacement Project. This Ballot Measure asks you to decide between the following two financing options:

1. HMC applies for financing through the United States Department of Agriculture (USDA). This government loan would finance up to 100% of the total cost of upgrading the HMC Water System.

**OR**

2. HMC applies for financing from a commercial lending institution, such as a bank. Commercial financing may finance up to 80% of the total cost of upgrading the HMC Water System.\* If HMC's application was accepted, HMC would be required to fund a down payment of 20% or more, which must be funded by HMC Members through a special assessment and/or with the funds paid by Members who have prepaid.

\*Information about the total cost of upgrading the HMC Water System and loan terms is enclosed with this Ballot Measure.

**CHECK ONE:**

I authorize HMC to make application to finance the Water System Replacement Project in this way:

\_\_\_\_\_ Finance the HMC Water System Replacement Project through USDA.

\_\_\_\_\_ Finance the HMC Water System Replacement Project through Commercial Financing.

**NOTE: BOTH OF THESE OPTIONS INCLUDE A ONE-TIME OPTION FOR A MEMBER TO PREPAY THEIR PORTION OF TOTAL CAPITAL COSTS; OTHERWISE, THE TERMS WOULD BE THAT PAYMENTS ARE MADE IN PERIODIC INSTALLMENTS OVER THE LIFE OF THE LOAN. THE LOAN TERMS ARE AS SET FORTH IN THE DOCUMENTS ACCOMPANYING THIS BALLOT MEASURE.**

## **Ballot Results**

**March 19, 2011**

## **SPECIAL MEMBERSHIP MEETING**

### **Water System Upgrade Ballot March 19, 2011**

**Call to Order:** Fred Fath called the meeting to order at 12:00 PM.

**Roll Call:** Fred Fath, President/Treasurer, Mark Anderson, Vice President, Janet Podell, Secretary; Gary Wanzong, Asst. Treasurer, Judy Greinke, Member at Large, Claudia Ellsworth, Island Manager

#### **Ballots:**

Ballots before the membership:

- **BALLOT NO. 1**

**RETAIN** Ownership with HMC and authorize loan to accomplish the HMC Water System Replacement Project

**OR**

**TRANSFER** Ownership to H&R Waterworks and assign responsibility to H&R Waterworks to accomplish the HMC Water System Replacement Project;

- **BALLOT NO. 2:** (Applies only if Ballot No. 1 results in a majority vote to Retain Water System)

HMC applies for financing through the United States Department of Agriculture (USDA). This government loan would finance up to 100% of the total cost of upgrading the HMC Water System.

**OR**

HMC applies for financing from a commercial lending institution, such as a bank. Commercial financing may finance up to 80% of the total cost of upgrading the HMC Water System. If HMC's application was accepted, HMC would be required to fund a down payment of 20% or more, which must be funded by HMC Members through a special assessment and/or with the funds paid by Members who have prepaid.

**Ballot Results:**

In order to ensure the integrity of the ballot counting process Carolyn Snyder (HMC Office Manager) requested the assistance of two random members to validate the total ballot count and the final vote tally. Nancy Broege and Linda Kelly volunteered to provide that assistance for all ballots received through Friday 3/18/11. Additional ballots were received on Saturday and the ballot count was revalidated by Sabra Duback and Jean Mellor.

**Ballot Counting Committee:**

Carole Crowley	Pat Francis	Linda Crowe	Sabra Duback
Dana Gruber	Frank VanRavenswaay	Pat Zazzo	
Mike Shettlesworth	Brock VanRavenswaay	Paul Bray	

**Ballot Count:**

216	Valid ballots
3	Unsigned ballot
1	Delinquent member ballots
0	Proxies

The final validated vote tally was as follows:

	<u>Retain</u>	<u>Transfer</u>
<b>Ballot No. 1</b>	<b>189</b>	<b>23</b>
	<u>USDA Financing</u>	<u>Commercial Financing</u>
<b>Ballot No. 2</b>	<b>183</b>	<b>21</b>

The members have voted to retain the water system and finance the upgrade through USDA financing.

**Adjournment:** Mark Anderson made a motion to adjourn the meeting. Motion carried.

Respectfully submitted,

Janet Podell  
Secretary