

Memorandum – Special Meeting 1/5/16

Note: This Memorandum simply serves as a summary of the major topics discussed during the **Special Meeting** held on January 5, 2016, as well as to provide additional clarification regarding the proposed amendments to our Bylaws. Please feel free to contact the HOA if you have any additional questions or concerns.

Board of Directors (In Attendance):

Rich Green and Bill Wolff

Background/Reason for Proposed Amendments to the Bylaws:

Rich provided a summary of recent discussions with the HOA's Attorney, regarding his correspondence with the Delaware Ombudsperson. Our Attorney still stands behind her Legal Opinion (Quorum Requirements, Dated 9/13/2011); however, Legal Counsel believes the HOA should amend certain sections of our Bylaws to reflect our current practices, and to eliminate any confusion about Quorum Requirements.

Proposed Amendment – Article III, Section 2, Annual Meetings:

Rich indicated that the only change to this section relates to the timing of our annual HOA meeting (every December). The purpose was to add consistency to the scheduling process, as HOA meetings had been held during different months throughout the years.

In an effort to increase turnout, several attendees expressed concern that future HOA meetings should be held earlier than December. In response, it was noted that prior HOA meetings (whether held in December or other months, such as October or November), were still sparsely attended. Nonetheless, the HOA's stance is that we are amenable to have a date that better meets the needs of the homeowners in conjunction with the board and a facility that is available.

Proposed Amendment – Article III, Section 7, Annual Meetings:

This section currently states, "The presence at the Meeting of Members entitled to case, or of proxies entitled to cast, thirty (30) percent of the total Members entitled to vote shall constitute a quorum..."

Rich emphasized that the main purpose of this revision is to eliminate the quorum requirements, in regards to conducting Board Elections and establishing the Annual Assessments. **The goal: Board Elections will be based on plurality vote, and Assessment Voting will be based on majority vote, regardless of the number of votes casted**

The exception relates to expansion of the duties of the Board or to the amendment of the Bylaws, which actions shall require the affirmative vote of two-thirds (2/3) of the Members.

Proposed Amendment – Article IX, Section 2, Annual Assessments:

The purpose of this proposed amendment is to reflect the current practice of the HOA. Since our inception, the HOA has mailed Assessment Voting Ballots to the owners of record, as opposed to conducting budget votes during our annual meetings. The logic is that new Board members, who will be appointed during the annual HOA meetings, have not had the opportunity to review the financial records of the HOA. Therefore, it is unreasonable to expect them to determine a reasonable budget/assessment, during the HOA meetings. In essence, the incoming Board Members should **"own" the budget.**

Memorandum – Special Meeting 1/5/16

Plan of Action Going Forward:

1. Conduct Board Elections, upon amendment of the Bylaws. The immediate goal is to conduct elections within the upcoming weeks. In the past, the HOA simply accepted volunteers (if any) without conducting formal elections. Going forward, the HOA will conduct Board Elections – even if we do not receive any newcomers and the existing Board members have chosen to run for reelection. Board elections will be based on plurality vote.

For example, per our Bylaws, our HOA is permitted to have up to eight board members. If we have nine candidates, the (eight) candidates with the most votes will have been elected/appointed to the Board.

2. Schedule an HOA meeting to announce the official Board Election results and to discuss any pertinent HOA issues.
3. Subsequent to the annual meeting, the elected Board will submit the 2016 Assessment/Budget for approval by the membership. Annual Assessments shall be approved by majority vote of those who have returned completed ballots.

Summary – Purpose of the Proposed Revisions:

In summary, the main purposes of the proposed revisions are as follows:

1. To eliminate the quorum requirements, as it relates to Board Elections and the approval of the Annual Assessments.
2. To revise the assessment section to reflect our current practices

General Discussion/Questions:

Note: This section does not cover all of the questions/concerns raised during this meeting. Instead, this is simply meant to serve as a summary of the main discussion items.

1. Several of the attendees asked why the HOA provided an “all or nothing approach” in terms of the Bylaws Amendment ballots. Instead, they contended that the homeowners should have been provided with the option of agreeing with certain amendments, while disagreeing with the rest. For example, several indicated they were opposed to making any changes to Article III, Section 2 (HOA meeting being held in December), but had no objections to the other proposed changes.

In response, Bill and Rich indicated that the changes are interrelated – particularly Article III, Section 7 and Article IX, Section 2. In other words, the one change will not be effective without the other. The HOA understood their concern relating to Article III, Section 2 (December HOA meetings), considering the main points of emphasis are to amend the sections pertaining to Quorums and Annual Assessments. If the amendments are approved, the HOA is willing to revisit the issue of scheduling HOA meetings earlier than the month of December.

Memorandum – Special Meeting 1/5/16

2. On a similar note, several asked why the HOA did not provide a yes or no option on the ballot cards. In response, Rich indicated that amendments to the Bylaws require an affirmative vote of two-thirds of the membership. In our case, we need to obtain approximately 200 votes of affirmative. The following example was provided: If we had 180 votes in favor and 20 opposed, the measure will fail because we failed to obtain the required number of affirmative votes (200). In essence, if a homeowner does not agree with the proposed amendments, they can simply refuse to submit the ballot.
3. Several attendees asked if the HOA could provide additional clarification/explanation of the proposed changes (too much legalese). The HOA agreed. It is our hope this Memorandum will accomplish the objective. The reader is encouraged to contact the HOA if they have any additional questions.
4. Rich provided an approximate tally of the affirmative votes received to date – approximately 60; an additional 140 votes are needed. To accomplish this goal, Rich suggested that the HOA could conduct a **“door-to-door” campaign** in an effort to obtain the required number of votes.

The attendees concurred with this suggestion; **several have offered to serve in the capacity of going door-to-door and soliciting votes/signatures – similar to the process that was used to revise certain sections of our Deed Restrictions**

5. In summary, in order to move forward as an effective HOA, it was agreed that the HOA should proceed in amending the Bylaws, prior to initiating Board Elections and establishing the 2016 Annual Assessment.
6. The meeting started at 7:00 PM and ended at 8:10 PM. A list of the attendees will be made available upon request.