Five Propositions will be Considered by Membership at Annual Meeting

Four changes to the Bylaws and one referendum question will be offered to the Membership at the Annual Meeting of Members in late October this year.

During their regular June meeting, the Board unanimously approved a proposal to amend our Bylaws. This proposal addresses four changes and is subject to approval by the Association at the Annual Meeting of Members. The four proposed changes are:

- Proposition 1. Clarify that a Director shall have been a Member for at least one year as of the date of election.
  The reason? While the present wording is sufficient, additional clarification is desirable to ensure understanding by all potential candidates.

- Proposition 2. Increase the term of Directors from two to three years, starting with the October 2009 election, and stagger the terms so that each year either three or four Director Positions will be open for election.
  The reason? More continuity and depth of understanding on the Board will benefit the Membership by improving the effectiveness of Board proceedings.

- Proposition 3. Change the language regarding the filling of vacancies that occur on the Board between Annual Meetings of Members, so that the term for the replacing a Director will end at the next Annual Meeting of Members.
  The reason? Our present Bylaws are not in compliance with the Virginia Nonstock Corporation Act, and we are required to abide by this Act. This change will make us compliant.

- Proposition 4. Modify the duties of the Treasurer to reflect the Treasurer does not sign all checks and that the incumbent is responsible for maintaining and updating the Replacement Reserve Study.
  The reason? The General Manager should be charged with the signing of routine checks to administer Association business as there is enough oversight to ensure fiduciary responsibility. The Bylaws should reflect the need for the Treasurer to maintain the Replacement Reserve Study, as required by the Virginia Property Owners' Association Act.

Detailed language for enacting the above changes will be provided to all Members for their review prior to the annual meeting in October. The four changes will be presented on the ballot individually for approval by the Membership and each will need a majority vote of eligible property owners present or represented at the meeting by absentee ballot or proxy for approval. The Board believes these changes are needed and encourages Members to consider and discuss them with the Board during the open forums at any Board meeting.

When the Clubhouse was finished in 2007, the Association borrowed approximately $650,000 to do a portion of the work. During construction, this debt was in the form of a construction loan using the value of the project itself to be the collateral for the loan. This is standard procedure for such a project. Upon completion of the project, the construction loan was converted to a standard mortgage. Mistakenly and against the requirements of Article X of the Lake Holiday Articles of Incorporation, the Clubhouse and the ground on which it sits were used as the collateral for this loan. Article X states that Common Areas cannot be mortgaged without the approval of 67% of the total eligible voting power of the membership of Lake Holiday. Early in 2008, the Board realized this error and negotiated a change to the Clubhouse loan whereby the loan would be collateralized using undeveloped lots (which are not Common Area) owned by the Association. The initial cost to make this change would be approximately $20,000 incurred for refinancing charges. A lower interest rate coupled with a shorter loan period would result in a monthly payment increase of approximately $1,500. However, the total cost of refinancing over the entire loan period would be about the same or even less than the present loan because of considerably lower total interest charges and quicker reduction of principal.

The Board was faced with three options:

- Acknowledge the mistake and continue without any further action
- Accept the new loan terms and incur the cost, thereby fixing the mistake
- Put the question to the membership

The Board chose the third option. You will see this question in the form of a proposal on the ballot for the Annual Meeting in October. In accordance with the provisions of the Articles of Incorporation, Proposal 5 will be written to authorize the Clubhouse loan to continue to be collateralized using Common Area (the Clubhouse). If 67% of the eligible voting power of the Association approves this proposal, no change will be made. If the proposal fails, the Board will immediately take steps to modify the terms of the loan.