

Silver Firs Phase 2 Homeowners Association

Summary of Events re the 2000 Budget Vote

- DEC-99 The board prepared a landscape scope of services and a capital reserves analysis.
- JAN-00 The board prepared a budget that reflects life after Centex. Centex will done with this development in early to mid-2001. This budget requires dues of \$205 per year. Because this is an increase of more than 5% over last year's dues, the association membership must vote on the resolution to raise the dues to \$205 per year.
- FEB-MAR Jimbo goes door-to-door to explain the budget to homeowners. He incorrectly explained that an unreturned ballot is counted as a NO vote. He left information on doors that said the same thing. **(See Exhibit E2000-12 below)**.
- FEB-28-00 The board presented the proposed budget at the annual meeting on FEB-28-00 at the Silver Firs elementary school. **(See web site at <http://www.sfph2-hoa.org/>)**
- MAR-15-00 The board sent out a copy of the budget, the minutes of the annual meeting, the minutes of board meetings in DEC-99 and JAN-00, a contact sheet, etc.). This was followed shortly thereafter by a ballot with a return deadline of March-24-00. **(See Exhibit E2000-6-1 below)**
- MAR-23-00 Jimbo gets an email from a homeowner who questions that correctness of my claim about an unreturned ballot being counted as a NO vote. **(See Exhibit E2000-5 below)**. Jimbo gets clarification from the board who agrees that we've made a mistake. We also discover 2 more errors. We didn't call a special meeting for the ballot and we didn't explicitly say on the ballot that the dues would be \$205 per year.
- MAR-27-00 At the board meeting on this date (See extract from the minutes of that meeting below), we agreed to correct the errors by sending out an invitation to the meeting on MAY-8-00 which we decided to call the "ballot validation meeting" **(see Exhibit E2000-15 below)**. In this invitation, we explained the errors and encouraged everyone to vote. This was mailed out on APR-1-00.
- APR-01-00 The board began to think that we should re-send ballots to those who hadn't voted because of the confusion we had caused over how NO votes are counted. But we couldn't re-send the existing ballot because it had incorrect information on it. So we created a second ballot **(see Exhibit E2000-6-2 below)** and sent it out to those hadn't voted. This second ballot was sent out on APR-14-00 with a return deadline of APR-30-00.
- MAY-08-00 We held the ballot validation meeting in the new model home complex. We counted the votes. The budget resolution passed.
- MAY-26-00 We mailed out the minutes for the ballot validation meeting. **(see Exhibit E2000-15-1 below)**

SILVER FIRS PHASE II HOMEOWNERS ASSOCIATION

2000 Budget

Who Am I? My name is **Jim Yourkowski**. I am a director on the Silver Firs Phase II Homeowners Association Executive Board. My wife Jan and I bought a previously owned home in Sherwood 4 years ago. In SEP-99, I joined the HOA board.

Purpose of this Exhibit: The purpose of this exhibit is to **explain the 2000 Budget** to help you cast your vote.

Preamble: The end goal of the budget (and all activities of the HOA) is to preserve the value of the neighborhood. This is the same value that caused you to buy your home in the first place. But remember that the budget is only one component of this preservation. It supplies the money. But just as importantly, we must spend the money wisely, and we must validate that the services that it buys are actually performed and finally we must decide whether the services actually do increase value or whether it was just a waste of money. Further, the value of the neighborhood is measured by its willingness to enforce the rules (Covenants, Conditions and Restrictions or "CCR's"). This is primarily a question of action and good citizenship, but I'll explain how the budget will help with this as well.

On FEB-07-00, we mailed out the budget and invitation to the annual meeting. We've changed the budget slightly since the FEB-07-00 mailing. You can find a copy of the latest budget on the web site.

I've been going door to door in the last 2 weeks to talk to as many people as I can about the budget. Once they understand what its about, most homeowners (60%-90%) support it. But I may not get to everyone. That's why I decided to write this. I put in writing what I've been trying to explain to everyone.

If you have any questions, please see our new website at: <http://home1.gte.net/kevinn/index.html> or call or write to:

Jim Yourkowski, 425-338-4289, JimYourk@AOL.com

Specifics: This budget is a significant increase- more than 5%. So the CCR's say it must be voted in by 2/3 the homeowner's. We currently have about 750 homes occupied (people move in every week), so this budget must get **500 yes votes** in order to pass. We couldn't possibly do this at a meeting with a show of hands so **we will mail you a ballot** during the week of MAR-05-00 upon which you mark your vote and return by the due date on the ballot.

The Annual Meeting at Silver Firs Elementary School, 5909 146th PL SE, MON, FEB-28-00, 7 PM: The budget is so important and has so many aspects that we encourage debate to explore the many ways in which the goals of preserving the neighborhood may be met. **That is why the budget is connected to the annual meeting.** There are many alternatives. We need to explore the many ways to reduce costs such as volunteerism, better and cheaper ways of communicating such as using the web communication, defining expectations, learning about infrastructure and land we collectively own. Its really quite involved and fascinating, in my opinion. The annual meeting is a chance to learn as much as possible. We'd like to hear your thoughts.

The annual meeting was well attended and everyone was really excited about the new budget. Its was a very good meeting.

The Significance of Timing: There are 882 homes in our neighborhood. Its huge! Centex has only 130 homes left to build in Pembridge and then they will be moving on to "greener pastures" which of course, will be developed too. That's the line of work they are in. Centex can build about 50 homes a year, so they will be moving on in mid-2001. **We must consider "life after Centex"**. That's what this 2000 budget is about- being on our own for the first time.

Recommendation of the Board: We urge you vote YES on the budget. We believe it supports the values of the homeowners. We believe it will be effective in preserving the value of the neighborhood. We believe that the **money we spend to maintain our neighborhood will maximize our property values. If you don't choose to vote, it's the same as if you had voted NO. Therefore, please vote.**

The Budget: The budget we have prepared is for your vote is based on "life after Centex". It has the following main elements:

INCOME

1. Centex has been subsidizing us (\$27,000 last year). This is because our existing dues of \$76 are not sufficient to pay for what we expend right now. We will no longer have that subsidy after they leave.
2. We budget for a 4% delinquency rate. That doesn't mean delinquents are not liable. It just means that we may collect the money (plus interest and filing fees) upon the sale of the home (thru liens files by the Management Company) rather than in the current year.
3. This budget requires dues of \$205 per year. This is a big jump from \$76 and that's why its important to understand what it means. The \$205 is based entirely on the analysis below; it is not an arbitrary guess. However, it is also comparable to other neighborhoods- Mill Creek (\$150-\$300 depending on neighborhood), The Falls (\$200), Gold Creek (\$230). I don't suggest a comparison with Silver Firs Phase 1 (\$76). It is really a completely different type of neighborhood.

EXPENSE

1. **\$10,000 Office Expenses:** Centex has paid these costs in the past. For example, it costs \$4800 per year to mail the monthly board meeting minutes. We are working on a web site the will cut this cost significantly, but that is still in work. Even so, we will still have document reproduction costs, some postage, room rentals, etc.
2. **\$18,000 Management Fees.** Regarding labor and skills, Centex has provided the management functions of collecting dues, keeping the books, administering the CCR's (Covenants, Conditions and Restrictions) and drafting Scope of Services, hiring contractors, etc. We must hire a company to do this as Silver Firs Phase 1 has already done.
3. **\$7,000 Insurance.** As the size of the neighborhood increased, we needed to increase our liability insurance. This protects the association if someone gets hurt on our 100 acres of commonly owned property (the parks, etc.).
4. **\$100,000 Landscape Maintenance.** Last year we spent \$55,000 on this. Why the big change? In the past, we allowed the contractor to define the scope of service. This year, we defined a scope of service that reflects the values of our homeowners. We sent this out for 3 bids. The difference between the highest and lowest bid was enough to buy a small house! We decided to obtain more bids. But we also needed to prepare a budget so we averaged the 3 bids and put it in the budget. This area will require more analysis before we actually sign a contract. Please see the Landscape Scope of Service for areas by type (link to Exhibit E2000-7-1) and areas by Tract Number (link to Exhibit E2000-7-2).
5. **\$14,166.90 Capital Reserves.** This something new. It is our savings account to be used for fixing the things that break. For example, all of our trailhead fences need painting. But we've never budgeted for it. This item will provide the money. Please see the analysis behind this item. (link to new exhibit from Tammy).
6. **\$7,000 Capital Expenses.** These are things we'd like to buy in 2000 such as rules signs at the play areas, info signs to tell people when the next meeting is, brochure boxes on all of the mail stations so people don't continue to staple advertisements on the wood, safety vests for volunteers, etc.
7. **Other Items.** The other items in the budget such as bank charges and utilities are routine so I don't discuss them here. It is a surprise for some that we pay for the street lights (\$15,000) out of the HOA dues, however.

Remember, don't hesitate to contact me. I appreciate any input you may have that will help us determine our future.

Silver Firs Phase 2 Homeowners Association

Email Chain that Identified Error on the Tabulation of NO votes

Subj: RE: Ballot question
Date: 3/22/00 9:30:33 PM Pacific Standard Time
From: shamlow@Adobe.COM (Scott Hamlow)
To: JimYourk@aol.com

How does this specify that a No vote is cast for those that don't cast one at all though? The article says ...of members who are voting in person or by proxy... It doesn't say of all members of the association whether they vote or not; it says that of those that are voting, just like a "regular" election.

BTW, Boeing is one of Adobe's larger accounts (>\$500K). You guys have a lot of our software, like Adobe Acrobat, FrameMaker, Illustrator, Photoshop, just to name a few.

--Scott

> -----Original Message-----

> **From: JimYourk@aol.com [mailto:JimYourk@aol.com]**

> **Sent: Wednesday, March 22, 2000 8:51 PM**

> **To: shamlow**

> **Subject: Re: Ballot question**

>

>>

> I know! Isn't it nuts? But those are the rules:

>

> CCR Article V Covenant for Maintenance of Assessments

>

> 3. Maximum Annual Assessment

>

> ... the maximum annual assessment may be increased above five (5) percent

> only by a vote of two-thirds (2/3) of each class of members who

> are voting in person or by proxy...

>

>

> I haven't met you. Where do you live? Neighborhood, Division

> and Lot Number help me locate you on the map.

>

>

> Jim ("Jimbo") Yourkowski

> Co-Director, Silver Firs Homeowners Assoc

>

>

>

> **In a message dated 3/22/00 8:23:43 PM Pacific Standard Time,**

> **shamlow@Adobe.COM writes:**

>

> << **Subj: Ballot question**

> **Date: 3/22/00 8:23:43 PM Pacific Standard Time**

> **From: shamlow@Adobe.COM (Scott Hamlow)**

> **To: jimyourk@aol.com**

>

> Hi Jim,

>

> I was looking over the ballot instructions for the homeowners dues and noticed that it said if you didn't receive a ballot from a home that you would mark that as a "No" vote.

>

> Why is this done this way? That will skew the statistics > against what you > are proposing. In other elections (city, county, state, federal, etc) a > non-vote is not counted as a "No" vote; the results are merely tabulated > against the total vote count.

>

> Thanks for enlightening me,

> Scott >>

>

Extract from the MAR-27-00 board meeting minutes:

6a. Ballot Deadline Extended. The board has extended the ballot deadline (for the 2000 Budget) to May 8, 2000 to allow homeowners who have not voted to do so. As required by the CCR's, a special meeting will be scheduled on the same date to validate the ballots and to determine the final results of the ballot. Homeowners who have already voted do not need to take any further action. Homeowners wishing to vote may do so in person at the meeting or request another ballot to be sent to them by the board; contact Jim Yourkowski for a ballot.

The board reviewed, revised and approved a draft notice for the budget validation meeting. The notice also corrects two items that were mis-communicated on the original ballot. Tammy will re-write the notice and Jim will assemble a volunteer team to send the meeting notice via US Postal Service (USPS) to all homeowners on Thursday, March 30, 2000.

Ballot Validation Meeting Invitation

Monday, May 8, 2000
From 7:00 to 8:00 PM
New Sales Office/Model Home in Pembridge
14818 48th Avenue SE

March 29, 2000

Dear Silver Firs Phase II Homeowner:

As required by the CCR Article V, Section 3 and Bylaws Article 4, Section 9, we are writing to invite you to attend a special meeting to validate the 2000 Budget ballot.

This meeting has several purposes:

1. To verify that the quorum requirement has been met as set forth in the CC&R's,
2. Allow members to vote in person,
3. Count the ballots, and
4. Announce the ballot results.

If you have voted by proxy (via ballot) you are not obligated to appear in person at this meeting, but you are welcome to attend.

Ratification of the Proposed Budget for the Year 2000 requires the following:

- 1) 40% of the outstanding (i.e. available) votes must be cast to constitute a quorum (a quorum is the minimum number of votes required to have a valid vote). We have 882 outstanding votes so the quorum is 353 cast votes, and
- 2) Two-thirds of the cast votes must be YES (Ref: CCR Article V, Sections 3 and 5).

Please Note:

- 1) Previously, we explained that an un-returned ballot would be counted as a NO vote when in fact, an un-returned ballot does not count as either NO or YES (it simply does not count), and
- 2) On the ballot itself, we may have been unclear by not explicitly stating that the budget you are voting for results in an annual assessment of \$205 per home.

You may obtain further information as follows:

Neighborhood website: <http://www.sfph2-hoa.org>
Mike Bitz: 425/316-3175, micbit@safeco.com
Jim Yourkowski: 425/338-4289, JimYourk@aol.com

(signature)

on behalf of the Board of Directors

SILVER FIRS PHASE II HOMEOWNERS ASSOCIATION

Text of Second Ballot

SILVER FIRS PHASE II HOMEOWNERS ASSOCIATION

Dear Homeowner,

Summary

Our records indicate that we haven't received your vote on the 2000 budget. We'd like to give you a second opportunity to vote so we've extended the ballot deadline. This is the ballot. Please mark your vote and return your ballot no later than April 30, 2000 so it can be counted at the ballot validation meeting on Monday, May 8, 2000, from 7:00 to 8:00 PM at the model home in Pembridge, located at 14818 48th Avenue SE. You may also vote in person at this meeting if you wish.

2000 Budget

This budget requires dues of \$205 per year. Because this is an increase of more than 5% over last year's dues you have the opportunity to vote on it. To see the budget and the supporting analysis, see our website or contact one of the board members listed below. We'll be happy to answer any questions. If you haven't seen the budget analysis we encourage you to do so before voting. Jim Yourkowski will be happy to make an appointment with you to give you a 10 minute explanation of the budget.

Recommendation of the Board of Directors

The recommendation of the Board is to vote YES on the budget. The budget provides the funds necessary to accomplish the following major initiatives:

- Improves the quality of landscaping of the common areas.
- Eliminates the Centex subsidy to prepare us for self-government by this time next year.
- Hires a management company for the collection of dues, filing of liens, hiring of contractors, etc.
- Sets up a capital reserve fund to repair improvements such as landscaping, irrigation, fences, play areas, etc. located in common areas.

Ratification of the Proposed Budget for the Year 2000 requires the following:

1) 40% of the outstanding (i.e. available) votes must be cast to constitute a quorum (a quorum is the minimum number of votes required to have a valid vote). We have 882 outstanding votes so the quorum is 353 cast votes, and 2) two-thirds (2/3) of the cast votes must be YES (Ref: CCR Article V, Sections 3 and 5).

You may obtain further information as follows:

Neighborhood website:	http://www.sfph2-hoa.org
Jim Yourkowski:	425/338-4289 JimYourk@aol.com
Mike Bitz:	425/316-3175 micbit@safeco.com

(Please cut along dotted line and return bottom portion)

SILVER FIRS PHASE II HOMEOWNERS ASSOCIATION

**OFFICIAL BALLOT
PROPOSED BUDGET FOR THE YEAR 2000**

My Vote is (please check one box): Yes No

Please fill in the information below, sign the ballot and drop it in the mail. Postage has been paid for your convenience.

NAME _____

ADDRESS _____

SIGNATURE: _____

PHONE _____

E-MAIL _____

THANK YOU FOR VOTING!

SILVER FIRS PHASE II HOMEOWNERS ASSOCIATION

Minutes of the Special Ballot Validation Meeting

Date: Monday, May 8, 2000
Place: New Silver Firs Sales Office in Pembridge, 14818 48th Ave SE
Time: 7:00 P.M.

Board Members (✓ indicates attendance):

✓ Eric Evans, President	Michael Bitz, Director	
✓ Denise Thoreson, VP, Secretary/Director	✓ Stephen Eilers, Director	
Jeff Kissner, Director	✓ Jim Yourkowski, Director	

Homeowners in Attendance:

Paula Rogers, Pembridge
 Clelia/Guenther Bock, Sherwood
 Robert/Andrea Boushey, Sherwood
 Peter Truss, Pembridge

- 1. CALL TO ORDER.** The meeting was called to order by Eric Evans at 7:00 PM.
- 2. INTRODUCTION OF BOARD RESOLUTION TO INCREASE DUES.** Eric Evans introduced the board resolution and explained the approval process for increasing the dues in excess of 5% as set forth in the CC&R's. Specifically, the resolution was to change the dues from \$76.65 to \$205 per year beginning in the year 2000.
- 3. VOTES IN PERSON.** Members in attendance were invited to present their ballot and/or vote in person on the resolution. In addition to the votes in person, members in attendance were given the opportunity to confirm their ballot was received and tabulated correctly as either *for* or *against* the proposed resolution.
- 4. QUESTIONS.** Members in attendance requested clarification on the voting procedure for Centex Homes and the lots Centex Homes owns. Jim Yourkowski and Stephen Eilers gave a brief explanation of the specific section of the CC&R's that refers to voting membership (Article III, Section 4A). In summary, Centex has 1 vote for each lot that it owns. A member specifically requested how Centex Homes intended to vote the lots it owns. Eric Evans indicated that as of May 8th, 2000 Centex owned 104 lots (Lots 1-52 in the Plat of Silver Firs Sector 4 Division 10D, and Lots 1-25, 61-87 in the Plat of Silver Firs Sector 4 Division 10C) and that Centex intended to vote in favor of the dues increase.

 A concern was raised regarding homeowners who are delinquent in paying their dues and how that affects those homeowners who do pay their dues.. Eric Evans gave a brief explanation of the process (Article V, Sections 8 and 9 of the CC&R's) and indicated that a more detailed explanation would be presented at the May 22nd Board meeting.
- 5. VOTES BY PROXY.** Ballots received by mail, fax, or hand delivered were submitted to the board to be entered into the record.
- 6. TABULATING THE VOTE.** Eric Evans gave a brief explanation of the process of tabulating the vote. A two step process was outlined (Reference CCR, Article V, Sections 3 and 5).

In the first step, the votes are counted to determine if at least 40% of the available votes have been cast. This is called the quorum requirement. Without a satisfaction of this requirement, a tabulation of the number of votes in favor of the resolution cannot be made.

In the event the quorum requirement is met, the second step in the process is a tabulation of the votes in favor of the resolution to determine if at least 2/3 of the votes are in favor of the resolution. Without a satisfaction of this requirement, the resolution fails.

The result of the tabulation of votes for the resolution follows:

STEP 1 QUORUM REQUIREMENT: 40% OF AVAILABLE VOTES MUST BE CAST

Total Number of Available Votes	882
Quorum Requirement (40% of 882)	353
Total Number of Votes Cast	638

STEP 1 RESULT: THE QUORUM REQUIREMENT IS SATISFIED

STEP 2 RESOLUTION PASSAGE REQUIREMENT: 2/3 OF THE VOTES RECORDED AT A SPECIAL MEETING DULY HELD FOR THE PURPOSE MUST BE IN FAVOR OF THE RESOLUTION:

2/3 of 638 Votes Cast	425
Total Number of Votes in Favor of the Resolution	501
Total Number of Votes Opposed to the Resolution	137

STEP 2 RESULT: THE RESOLUTION PASSAGE REQUIREMENT IS SATISFIED.

7. CONCLUSION.

THE RESOLUTION TO SET THE ANNUAL DUES AT \$205 PER YEAR IS RATIFIED WITH 78.5% OF ALL VOTES CAST BEING FOR THE RESOLUTION.

8. NOTES. The total number of votes cast includes 104 votes cast by Centex Homes. Had Centex Homes elected not to cast these votes, the ballot resolution would have passed with 74.3% of all votes cast being for the resolution as follows:

Total Votes Cast	534 (Quorum Requirement Satisfied)
2/3 of 534 Votes Cast	356
Total Votes in Favor	397
Total Votes Opposed	137

9. ADJOURNMENT. The meeting adjourned at 8:15 PM.

Questions? Please contact a resident board member:

Name	Neighborhood	Phone	Email
Jim Yourkowski	Sherwood	338-4289	jimyourk@aol.com
Michael Bitz	Scarborough	316-3175	micbit@safeco.com
Stephen Eilers	Pembridge	357-8387	stephenmce@aol.com

Suggestions when contacting a board member:

- Use email for short and simple questions.
- Use the telephone for long or complicated questions or discussions.
- Be sure to tell us how we can reach you (i.e. email and phone number and best times).

Next Meeting:

May 22, 2000 at 7:00 PM

New Sales Office/Model Home in Pembridge, 14818 48 Ave SE