



Dear Lakes Community Homeowner:

As you are aware, the 2019 Annual Meeting and Election did not achieve quorum and the Board will remain seated for another year. Although this can be frustrating and costly for the Association, the business of the HOA must continue.

The Association is sending this letter to provide you detailed information regarding the Annual Meetings of the Members, Elections, and Quorum requirements for the Lakes Community Association. This letter is also an opportunity to clarify what the documents and Civil Code require the Association to do for elections/annual meetings. Hopefully, this will help you understand the process of the Association and the governing documents.

**Annual Meetings:** An Annual Meeting of the Members or Annual Meeting is hosted as the name suggests, annually. It should not be confused with a Board of Directors Meeting. Please note that an Annual Meeting may still be hosted even if there no seats are up for election on the Board of Directors.

**Elections:** Should be hosted annually to allow homeowners to vote for the IRS ruling and/or to elect homeowners/members of the Association to the seats on the Board of Directors.

- Anyone running for the Board of Directors must qualify and qualifications can be found in the Bylaws, Article 2 in Section 2.3 and the Election Rules.
- The Election itself is hosted in accordance with the Election Rules and Bylaws, Article 2 per section 2.4.
- Candidacy Statements, election procedures, ballot procedures and the requirement to hire or appoint an inspector of ballots (other than management) can be found in the Bylaws, Article 4, 4.81 thru 4.8.8 and in the Election Rules. In addition, there are civil code and corporate code requirements that govern elections.

*Question:* Why did the Board vote to hire a Vendor to host our election and we had to submit our ballot via mail?

*Answer:* The law, the Association Election Rules and the Bylaws require that the Board appoint an Inspector of Elections. This can be a company or a homeowner but it must be an independent party in order to ensure a fair election.

This year, based on industry standards and practices, the Board of Directors voted to hire HOA Elections to facilitate the election, and to be the Inspector of Elections and the Custodian of Ballots. Looking towards the future and keeping the Lakes community at the highest standard, it made sense to a hire vendor that would be able to put together all election materials, and provide services that allow homeowners to access information regarding the election on line. They also facilitated an additional mail-out reminder that was sent to homeowner that who had not turned in their ballots/voted. Many suggestions were made by residents last year regarding the election. The Board heard their ideas and implemented them this year which included the additional mail-out and a raffle.



**Voting:** Per the CC&R's Article 3, section 3.2 thru 3.3, owners of lots and homes in the Association are considered members of the Association and are entitled to vote per the record date.

*Question:* Are developer's owners or members?

*Answer:* The developer is both. In the CC&R's they are described as the declarant. Voting is determined by the Class of membership they have per the documents. As any members of the Board, they are held to the same legal and financial obligations. As well as the obligation to vote in the Association elections.

*Question:* When does the Developer stop serving on the Board and voting?

*Answer:* The developer will resign their seats on the board typically as they get close to build out, in order to ensure those seats can be filled so quorum can be achieved at Board of Directors Meeting and the business of the community can continue to be conducted. Developer voting typically stops when they are no longer owners/members.

**Quorum Requirement:** The quorum requirement is noted in the Lakes Association Bylaws (Article IV in section 4.3 of the Bylaws, adjourned meeting requirements can be found in section 4.12.

- Current quorum requirement is 25% of the total members of the Association. The total members are determined by the annexed lots into the Association at the time of the record date.
- Adjourned meetings must be held no less than 5 days and nor more than 30 days from the original Annual Meeting date.
- Adjourn meetings are not required. In fact the homeowners at the meeting this year determined via majority vote to conclude after the second attempt. As noted in the Bylaws, they may be hosted in attempt to gain more ballots. In our Bylaws, the quorum requirement remains the same at 25% and does not reduce at adjourned meetings.

*\*Question:* Why can't we just reduce the quorum requirement or open the ballots if quorum is not received?

*Answer:* The quorum requirement is part of the Bylaws. Bylaw changes require vote **and** approval of the majority of the membership. If there are 1047 homes, that would require 524 votes in favor of the proposed amendment. A quorum reduction may not be completed by conducting a rule change.

*Question:* Why can't we just open the ballots, even if we do not have quorum?

*Answer:* No business may be conducted per the Corporation Code if quorum is not achieved. Opening ballots would be considered conducting business.

**Appointments and Reseating the Board:**

*Question:* Is appointment the same as getting elected?

*Answer:* Yes and No. If a Board of Director resigns, then the Board has the right to appoint a new Board Member to that seat, in order to maintain the ability to conduct business. If homeowners do not vote in the election, and someone resigns, then appointment might be necessary.

However, appointed Board Members have the same responsibilities as if he/she was elected by majority vote. They must meet the same qualifications, hold the same due diligence for the job, and hold the same legal responsibility for their actions. Therefore, there truly is no difference between an "elected" Board Member and an "appointed" board member.



*Question:* Why does the Board get to re-seat themselves if there is no election?

*Answer:* Since no business could be conducted due to lack of quorum, the Board of Directors will remain seated until the next election /Annual Meeting.

**History of Elections at the Lakes Community:** Some new owners to the community may not know the history of Elections in the community, the numerous homeowners that have sat on the Board, and how many of our current Board members came to be on the Board. There have been elections attempted since 2007, and several homeowners have been elected by the community members. The following is a summary of the history of the elections in the community.

***Elections from 2007 to 2019***

First Election: 2007. Quorum was achieved and two homeowners were elected to two year terms as well as three (3) developer members.

2009: Quorum was achieved and two homeowners were elected to the Board for a one (1) year term.

2010: Quorum was achieved: Two homeowners were elected two (2) year terms. Current Board President, Jeff Moll was elected at this time.

2012: No Election: No director terms were up for election.

2013: Quorum was achieved: Two (2) homeowners were elected to the Board. Jeff Moll re-elected

2014: No Election: No director terms were up for election.

2015: No Quorum achieved. A Board Member resigned and a homeowner was appointed to their seat.

2016 Quorum was achieved: Two (2) Homeowner was elected to two (2) year terms to the Board (Jeff Moll and another homeowner). Unfortunately the homeowner resigned and Donniss Crawford was appointed to serve out the remainder of her term.

2017: No quorum: IRS ruling only. No director terms were up for election.

2018: No quorum achieved, Board re-seated for another year.

2018 and 2019: The Developer Members of the Association resigned from the Board of Directors. Jake Green and Suzie Karman were appointed in December 2018. Roxanne Moon was appointed in June 2019. All homeowners within the community.

2019: No quorum was achieved. Board remained seated

*\*History of Elections of the Community information was researched through official association documents including but not limited to minutes, election mail outs, and election result documents.*

In closing, Elections are important aspects of Association Governance. Not achieving quorum can not only be frustrating but costs the Association additional money. The goal each Election is for the Association is to achieve quorum by having Owners submit their ballots. However, if quorum is not achieved the seated Board has an obligation and responsibility to continue to serve the community. The Board is aware of the concerns of homeowners regarding the quorum requirements. As always, they listen and will be doing research on various options on behalf of the Association.