

Message from the President  
Concerning  
the Proposed Port Ludlow Village Council, Inc.

To All LMC Members:

During this past year I spent a substantial amount of time working with the CLOA Governance Committee on the documentation for the proposed Port Ludlow Village Council, Inc. (the "Village Council.") At that time it was agreed by all of those working on the project that they were doing so as individuals and not in their official capacity. In December when I returned from a trip, I determined that I could no longer separate my work on the Governance Committee from my position as President of the LMC. I resigned from the Governance Committee. I informed the LMC Board of Trustees of my participation and stated that there should be no presumption from my participation that I was in favor of or opposed to LMC membership in the Village Council.

The purpose of this message is to let you know that there is no significant financial risk involved in the LMC's possible membership in the Village Council. In consequence, you may base your decision on whether the LMC should join or not on the functions that the Village Council can be expected to perform. Copies of the Village Council's "final drafts" of its Articles of Incorporation and By-Laws are enclosed for your review. Please read them carefully to confirm this message.

**THERE IS NO FINANCIAL RISK TO YOU INDIVIDUALLY!** Let me start by saying, categorically, that the Village Council has absolutely no authority whatsoever to collect dues or assessments from you, individually, as a property owner. The only dues that you will pay will be your LMC dues. And as you well know, even your LMC dues cannot be increased by more than the percentage that the Seattle-Everett District CPI increases, without a majority vote of the members of the LMC.

Information that has been circulated that the Village Council will have the "authority to collect assessments, dues...from LMC members exclusive of LMC's own dues and assessments" and that if a Member of the Village Council "failed to pay its shares of [Village Council] costs, each individual LMC member could be called upon to make up the difference" is false and misleading.

**THERE IS NO UNACCEPTABLE FINANCIAL RISK TO THE LMC!** Because of changes made in the proposed Village Council Articles and By-Laws, the LMC's membership in the Village Council will not at any time impose any financial risk on the LMC that is not acceptable to the LMC Board of Trustees. In order to understand why that is so, you must know that the four Members of the Village Council and their initial number of votes (like shares of stock) are:

The LMC - 60 votes (46%)  
The SBCA - 40 votes (31%)

ORM - 20 votes (15%)  
Commercial interests - 10 votes (8%)

All dues increases over 5%, all assessments, and all amendments to the Village Council By-Laws require a 70% majority vote of those Members. The admission of additional Members to the Village Council, which would dilute the existing Members' vote percentage, requires a unanimous vote of the existing Members. Thus the LMC and the SBCA each have a veto with respect to all of those matters. The LMC's votes, and the veto power that they represent, will be controlled by the LMC Board of Trustees. They will not be in the hands of the Village Council directors (called "Councilmembers".) And at any time that the dues are increased - even by just 5% - or an assessment is imposed, any Member organization can leave the Village Council altogether without liability beyond any prior dues it still owes at the time of withdrawal.

**(OVER)**

(The balance of the votes between the LMC and the SBCA is based on the proportionate number of lots on which residences have been built. As South Bay is built out, the number of the SBCA votes will go up a little, and the number of the LMC votes will go down, but the total number of their votes will always remain 100. Even if South Bay is built out, it is not foreseeable that the LMC will ever have as few as 30% of the votes.)

**CONCLUSION** The remaining questions with respect to the LMC's membership in the Village Council relate largely to the functions to be carried on by the Village Council. Enclosed are statements arguing for and against LMC membership in the Village Council. They discuss some of the functions that the Village Council may perform. I urge you to review them and to review the purposes and powers clauses of the "final draft" Articles of Incorporation that are also enclosed. Later this spring you will receive a ballot on which you can vote in favor of or against the LMC's joining the Village Council. If you feel that the LMC should participate in an organization that is doing the things that the Village Council's purposes and powers permit it to do, you should vote in favor. If you feel that the LMC should not participate in an organization that is doing the things that the Village Council's purposes and powers permit it to do, you should vote against.

George L. Dyer, Jr., President  
Board of Trustees  
Ludlow Maintenance Commission, Inc.

THE CASE FOR A NEW  
PORT LUDLOW VILLAGE COUNCIL

The study for unified self-governance has been ongoing in the community for at least the past 15 years. The issue has been addressed by the LMC, the LOA, the 20-Year Planning Committee, the Port Ludlow Planning Forum and currently by the Self-Governance Committee appointed by the Council of Ludlow Owners Associations (CLOA) in May of 1998.

The Self-Governance Committee is comprised of 17 members. There are 12 members from North Bay including 3 past Presidents of the LMC. The current President was a member for a period of time. Also included in the North Bay group are two past Presidents of the LOA and also the current President. There are 5 members from the South Bay including the President of CLOA.

The various study groups mentioned above have reached similar conclusions regarding government for Port Ludlow:

1. The existing community associations, 25 in 1998, are functioning well, and there is no need to change their roles in the community. The creation of the Village Council does not change any of their roles or controls.
2. The new Council should be elected by a popular vote of all community residents. It is designed to replace CLOA, not to add an additional layer of government.
3. Owners want the costs of their ownership, i.e. assessments, utilities, etc., to be as low as possible. The final Council Articles of Incorporation and By-Laws (copies enclosed) will provide the Corporate Members with control over all dues and assessments for the Village Council. Read the paragraph covering "concerns" later in this report.
4. Residents want some control over decisions affecting the environment and open spaces, recreational amenities, commercial services and long-term development plans and standards. Residents may also want control over, and the benefit of community assets currently owned by ORM, when it completes the development or sells the property.
5. Residents may want exclusive-use privileges of new community property such as parks, trails, open spaces, etc. The Council Articles and By-Laws would allow the Members to control such use if they wished to.
6. The Council would maintain communication with the developer and with county and state officials in a unified manner to negotiate on behalf of the interests of all of the residents of Port Ludlow.

The Self-Governance Committee has met regularly since last May drafting the Articles of Incorporation and By-Laws. After much discussion, the Committee felt that a non-profit corporation is the most sensible type of structure through which the citizens of Port Ludlow can carry out the necessary functions of local governance.

The Port Ludlow Village Council will not do the following:

1. It will not replace the existing LMC or SBCA corporations, and it will not change the ownership of, or merge, or in any other way affect properties owned by the LMC or the SBCA.
2. It will not combine the Covenants, Conditions and Restrictions of the architectural controls of the LMC or the SBCA. Each corporation's guiding documents will stay intact, in place and separate. It will not affect the individual operations of the Beach Club or the Bay Club or the member assessments of either.

CONCERNS. To eliminate any concerns that the formation of the Village Council could impact your annual assessment levels, the following facts should be carefully noted. The LMC and SBCA, should they become corporate members, represent their individual memberships (you, the individual property owners.) You cannot be assessed at any higher rate than your Articles and By-Laws allow. For LMC members there is a cap on increases equal to the increase in the annual Consumer Price Index. With or without the creation of the Village Council, this is the maximum allowable without the approval of a majority of all LMC members. The LMC 1999 assessment is \$9.00 higher than the assessment for 1998. The Village Council Articles and By-Laws do not allow the levying of any assessment directly on individual property owners.

Frank Siler, Chairman  
CLOA Self-Governance Committee

## STATEMENT IN OPPOSITION TO JOINING THE VILLAGE COUNCIL

Should North Bay residents (LMC members) approve LMC membership in the Port Ludlow Village Council, Inc. (PLVC, Inc.) and further, amend the LMC Bylaws to authorize LMC monies be used to fund and operate this new governance organization through payments of dues, user fees and assessments?

Supporters cite a "need" that Port Ludlow should have the PLVC, Inc. in place and functioning if and when the developer (ORM or an ORM successor) elects to leave Port Ludlow. They further cite a voting "70% majority approval" requirement that protects LMC members.

Take this opportunity to read, carefully and completely, the enclosed copies of the Articles of Incorporation and the Bylaws. Under Washington State law these documents grant the PLVC, Inc. the power and authority to financially and legally obligate PLVC, Inc. Members to a broad (unspecified) range of property, business, utility and recreational ownership and operations.

### OUR QUESTIONS:

As dues paying members and LMC property owners, are you certain that you feel comfortable in accepting:

- the many Purposes of this Corporation (Article IV of Articles of Incorporation)?
- that LMC has only 46% voting authority (unbuilt-on lot owners are not counted)?
- that new members (unnamed) can be appointed and further reduce LMC vote?
- that the developer (Olympic Resources Management, division of Pope & Talbot, Inc.) is financing the development and first year of PLVC, Inc operation?
- that ORM with Commercial (part ORM) have 23 % voting PLVC, Inc. authority?
- that individual ORM Council Member appointees and any LMC elected Council Members who also may be ORM employees, are granted authority to vote on issues in which they may have financial or other interests?

### OUR CONCLUSIONS:

- That ORM sponsored and financed the PLVC, Inc. as the vehicle to accept undefined ORM properties and operations thereby shifting 46% of the attendant liability, maintenance and operating costs to North Bay residents,
- That the Beach Club and LMC properties are debt free and North Bay residents have no dependence on ORM nor reason to share in ORM build out responsibilities,
- That there is absolutely no reason why North Bay residents should enter into any Corporate arrangement without all potential Corporation plans and purposes being identified and evaluated, including specifically which properties will be assumed by gift or purchase from ORM and knowing all potential associated costs and liabilities,
- That, when Port Ludlow develops to the point where a village government is needed, it should be structured to fairly represent all North Bay financial and other interests.  
Until that time, we submit that the LMC, which grants its members 100% voting authority, will best serve North Bay residents as a governing body.

Prepared by Ken Schneider and Bill Funke on behalf of the North Bay Coalition