



TO ALL SUDDEN VALLEY LOT OWNERS

September 25, 2007

The Board of Directors is pleased to provide you with this voting packet for the 2007 Annual General Meeting. It contains information about SVCA's financial status, the recommended dues increase, the recommended 2008 Operating Budget and recommended resolutions for your approval. Also included are voting instructions.

The Board of Directors is unanimously recommending a dues increase for 2008. If the recommended dues increase is NOT approved, the Association will be required to revert, in accordance with state law, to the last member-ratified budget (2007). If this occurs, SVCA will need to immediately reduce 2007 service levels by 25% (approximately \$300,000) in order to balance the budget. If this does occur, it will cripple SVCA operations.

It has been six years since the last dues increase. It is time to provide the funding to support higher quality services and create a financially sustainable future for Sudden Valley. The recommended 2008 total annual dues for a developed lot are \$907.84/year (a \$27.07/month increase) and \$822.96/year for undeveloped lots (a \$26.33/month increase).

Casting a "YES" vote to increase dues will fund new strategies to raise the quality of services. The key benefits of the dues increase are:

- Funding to improve safety, security and traffic/law enforcement
- Funding improvements in maintenance services and road repairs
- Funding development of critical revenue generating projects to help offset future dues increases
- Funding to strengthen recreational programs and improve facilities, parks and trails
- Funding to strengthen administration and financial services

The anticipated negative consequences of NOT approving the dues increase include:

- Significant reduction in safety, security, traffic control and rules enforcement
- Major reductions in maintenance, property upkeep and storm response
- Reductions in golf and recreation staff, programs and services plus facility closures
- Reduction in Architectural Control services and rules enforcement
- Curtailment of capital improvements and revenue-generating projects due to lack of staff
- Increased fees for special services, recreational activities and events
- Likely increase in disorderly houses and illegal or disruptive behavior
- Likely decline in property values and neighborhood quality of life
- Probable LOSS of key staff essential to running SVCA

In summary, Sudden Valley is at a critical crossroad. Our current financial situation is not sustainable. We have the vision, the leadership and an excellent opportunity to continue moving ahead in a positive direction. **What is needed is your support.**

Your Board of Directors unanimously recommends voting "YES" on: **1. the recommended dues increase (Measure #5); 2. the recommended 2008 budget (Measure #6); and 3. all of the proposed resolutions (Measures #1-4).**

Respectfully,

Sudden Valley Board of Directors

Sudden Valley Community Association



NOTICE OF ANNUAL GENERAL MEETING – Nov. 3, 2007 – 1:00 PM – Dance Barn

Notice is hereby given that the Annual Meeting of the Sudden Valley Community Association, hereinafter referred to as SVCA, will be held at the Dance Barn located within Sudden Valley on Saturday, the 3rd of November, 2007 at 1:00 p.m., the purpose of which shall be to conduct association business.

AGENDA

- I. Call to Order
- II. Introduction of Parliamentarian
- III. Certificate of Quorum
- IV. Proof of Notice of Annual Meeting
- V. Election of the Board of Directors
 - a. Introduction of Candidates with Two-Minute Presentations
 - b. Voting Process
- VI. Nominations & Election of the N & E Committee Members
 - a. Nominations from the Floor
 - b. Voting Process
- VII. New Business
 1. Measure No. 1: Authorize the Adoption of IRC 118 for 2008 and Revenue Ruling 70-604 Tax Election for 2007 for the Purpose of Minimizing 2007-8 Taxable Member Net Income for Federal Income Tax Purposes
 - a. Discussion*
 - b. Voting Process
 2. Measure No. 2: Ratification of Deposit of Net Proceeds of the Sale of the Byron Tract Into the Emergency Capital Reserve Fund
 - a. Discussion*
 - b. Voting Process
 3. Measure No. 3: Having Reached Its Density Reduction Goal of 1,400 Lots, the Board of Directors is Authorized to Sell or Trade, at Fair Market Value, Unrestricted Lots which are Not Needed for Density Reduction or Other Association Purposes
 - a. Discussion*
 - b. Voting Process

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4. Measure No. 4: Transfer Excess Density Reduction Funds Obtained from Lot Sales to a Capital Reserve Account to Fund Capital Improvements in the Valley
 - a. Discussion*
 - b. Voting Process
5. General Manager, Dave Wareing – Proposed Budget Presentation
6. Measure No. 5: Approve that the Total Annual Dues Be Set at \$907.84 for Developed Lots and at \$822.96 for Undeveloped Lots for 2008
 - a. Discussion*
 - b. Voting Process
7. Measure No. 6: Approve a Balanced 2008 Net Operating Budget of \$1,874,234 which is Based on Approval of Measure #5 – Dues Increase.
 - a. Discussion *
 - b. Voting Process

- VIII. Committee Reports
- IX. President's Report
- X. Treasurer's Report
- XI. General Manager's Report
- XII. Property Owners Comments *
- XIII. Announcements/Election Results
- XIV. Adjournment

* In order to give all members who wish to speak an opportunity to do so, individual comments may be limited by the Presiding Officer to 2-3 minutes in duration.



2007 VOTING INSTRUCTIONS for the Annual Meeting of the Sudden Valley Community Association to be held Saturday, November 3, 2007 at 1 PM in the Sudden Valley Dance Barn

Please read carefully. If you have questions contact Kitty French at (360) 734-6430 or email to kittyf@suddenvalley.com

Ways of Voting in the Sudden Valley Election				
(by ballot type)				
IN PERSON		ABSENTEE		
<i>At Registration</i>	<i>At the Board Meeting</i>	<i>Absentee Ballot</i>	<i>Designated Agent Proxy</i>	<i>Common Proxy</i>
Board of Directors	Board of Directors	Board of Directors	Board of Directors	Board of Directors
The Measures	The Measures		The Measures	The Measures
	N & E Committee Members			N & E Committee Members
	Optional "floor issues"			Optional "floor issues"

Key things to remember:

- ✓ In-person voters must register in the Association office between 9AM and 12:30 PM on the day of the election.
- ✓ In person voters MAY NOT use the ballots included in this packet. You will be issued new ones.
- ✓ Absentee, DA and Common Proxy votes must arrive in the Association office before 5 PM, November 2, 2007

QUESTIONS	ANSWERS
Who can vote?	Each SVCA member is entitled to vote if all annual dues, assessments and associated charges are current through December 31, 2007. (Payment for the last quarter must be received before the Annual Meeting begins at 1 PM on the day of the meeting.)
What if I have unpaid fines?	Fines do not affect your right to vote.
How many votes do I get?	One vote for each lot or condominium owned may be cast.
Can I vote in person?	Yes, there are 2 different ways to vote in person; at registration or at the Annual Meeting itself. In either case, you MUST register in person at the Nominations and Elections (N&E) Committee's location downstairs in the administration building November 3, 2007 between 9 AM and 12:30 PM. Please arrive early and allow enough time for registration and the issuing of voting cards. Do not bring any ballots that are in this envelope with you.
Can I vote absentee?	Yes, there are three different ways to vote absentee: Absentee, Common Proxy and Designated Agent
How do I vote "absentee"?	By law, Absentee Ballots only allow voting for the Board candidates. To insure that the ballot will be counted, see directions on pages 2 and 3. If you own more than one lot, each ballot must be sealed in its own small white envelope marked "Absentee Ballot Only".
How does the Designated Agent Proxy work?	The Designated Agent, selected by the SVCA, serves as your proxy, but cannot vote without your instructions. The N&E Committee registers your DA Proxy and tallies your votes. Votes are tallied "blind" and kept confidential even from the DA, who will be given only the totals on voting cards on the day of the meeting.
See page 2 and 3 for directions on casting your Designated Agent ballot.	
What is a Common Proxy?	A Common Proxy is a person you select to vote in your place. You must write in the name of your agent (the person who will act as your attorney-in-fact). This proxy must be registered by you in the Association office before 5 PM Friday, November 2, 2007. This individual may attend the meeting and vote instead of you on all matters authorized by your proxy.
More important information on back and next sheet	

What does the person I have named as my Common Proxy need to do?	The named Common Proxy must check with the N&E Committee prior to the meeting to receive an estimate of the number of proxies registered to them. Unclaimed voting cards will be voided after the commencement of the meeting.
How does the Common Proxy work?	Notify the person you have named as your agent that you have sent a proxy bearing his/her name to the N&E Committee and issue any voting instructions directly to the individual. He/she is responsible for picking up the voting cards during registration. DO NOT send your proxy to the person you named; it will not be registered unless it is returned to the N&E Committee in the enclosed envelope by the due date.
How do I change my proxy, if I need to?	You may change your agent by issuing a new Common Proxy to another person, but you must obtain a second officially numbered proxy from the SVCA office, and you must notify the second individual. The later dated proxy is the one that will be counted.
See page 2 and 3 for directions on casting your Common Proxy ballot.	
Where do I mail or deliver my ballots?	To be valid, you must return your proxy and/or absentee ballot directly to the SVCA office sealed in the enclosed blue return envelope addressed to the N&E Committee. ALL absentee ballots and proxies must arrive at the Association office before 5 PM on Friday, November 2, 2007.

How is my vote registered?

(First Time In-Person Voters: Please Read Carefully)

When voting in person:

- Arrive at Registration (Downstairs in the Administration Building) between 9 a.m. and 12:30 p.m. on the day of the election. Upon giving your name, your dues status will be verified. If your dues are paid in full, you will be registered as an eligible voter and given the voting cards, one for each Measure on the agenda, as well as one for the Board of Directors.
- If your dues are paid in full for more than one property, your registration will show how many votes you have, and each voting card will be marked accordingly, e.g., the cards will be marked 2 (2 property paid dues), 3 (3 property paid dues), etc.
- If you have not paid your dues, you will be given only one voting card, which will allow you to vote on the budget (Measure 6) only.

When voting by Designated Agent Proxy:

- Complete the back of the Designated Agent proxy form, by indicating your decision on the 6 measures and the board candidates. The Designated Agent will cast your vote exactly as you have instructed them.
- Complete the envelope with your division and lot number and **your signature**.
- Return the Designated Agent Proxy in the **N&E Committee self-addressed envelope**,
- If you are eligible to vote for more than one property, the proxy will be marked accordingly, e.g., 2 votes for 2 properties, 3 for 3, etc.

When voting by Common Proxy:

- Return the Common Proxy in the **N&E Committee self-addressed envelope**, and complete the back with your division and lot number and **your signature**. This information must be provided.
- Tell that person s/he holds your proxy and ask him/her to pick up the voting cards at registration. (The N&E Committee will call the person you named to verify that he/she will pick up your voting cards.)
- If you want to select the candidates for the Board of Directors personally, please use the **absentee ballot** and place it in the **absentee ballot envelope**. Seal the envelope and include that envelope with the Common Proxy in the **N&E self-addressed envelope**.
- If you are eligible to vote for **more than one** property, contact Administration and request more absentee ballots. Each ballot will count as one vote and **MUST** be returned in a **SEPARATE** absentee ballot envelope. Note: If more than one ballot is found in a ballot envelope on the day of vote counting, these ballots will only be counted as **one vote**.
- If you include absentee ballot(s), your Common Proxy agent will **NOT** vote on the Board of Directors for you. If you include other information in the ballot envelope, that information will not be used.

What is Included in Your Ballot?

What It Is (Color)	What to do with it	Special Circumstances
Voting Packet (white)	<ul style="list-style-type: none"> Read the Cover Letter, the Agenda, the voting Instructions and the biographies of the 4 candidates Take some time to review the entire packet 	This ballot has many parts—all are important. We have worked hard to be as clear as possible. Call Kitty French in Admin (734-6430) or Lee Langdon, N &E chair, (738-4010) for more information.
Measure #1 Minimize Taxation (white)	<ul style="list-style-type: none"> Read letter from Board Treasurer regarding Resolution of the SVCA IRC Section 118 & Revenue Ruling #70-604 Read the Reference Material for Measure #1 Read the resolution Decide to accept or reject the Measure 	
Measures # 2 – 4 (white)	<ul style="list-style-type: none"> Read each Measure Decide to accept or reject each Measure 	
Measure # 5: Proposed Increase in Dues (white)	<ul style="list-style-type: none"> Read Measure #5. Read 8-page reference material (buff) to understand the reasons behind the proposed dues increase. Decide to accept or reject Measure #5 	Reference material (buff) for Measure 5 also explains Measure 6.
Measure #6: 2008 SVCA Operating Budget (white)	<ul style="list-style-type: none"> Review the budget Decide to accept or reject Measure # 6, the Budget 	This is one issue that members NOT in good standing can vote on; call Kitty French (360-734-6430) for directions.
Designated Agent Proxy Form (pink)	<ul style="list-style-type: none"> Complete both sides IF you are voting absentee and you want to vote on Board of Directors, Budget and Measures The proxy must be signed and dated to be valid 	<ul style="list-style-type: none"> Put the proxy in Blue Envelope; stamp Complete Back Side of the envelope (Your name, lot and division number of all eligible lots) Mail; it must be received by 5 PM, Nov. 2, 2007
Common Proxy Form (yellow)	<ul style="list-style-type: none"> Complete IF you want to vote absentee and you want someone you name to vote for you—their choices Place the name of the person you want to vote for you on the Yellow Form The proxy must be signed and dated to be valid 	<ul style="list-style-type: none"> Tell the person you have given them your proxy Put the yellow Proxy form in the Blue Envelope; stamp Complete Back Side of the envelope (Your name, lot and division number of all eligible lots) Mail; it must be received by 5 PM, Nov. 2, 2007
Absentee Ballot (blue)	<ul style="list-style-type: none"> Complete IF you want to vote absentee for the Board of Directors, but not on the 6 Measures, including the budget . 	<ul style="list-style-type: none"> Put into White Absentee Ballot envelope *Note for multiple lot owners: Each Absentee Ballot must be sealed in its own small white envelope marked "Absentee Ballot Only" Put Absentee Ballot envelope(s) into Blue Envelope; stamp Complete Back Side of the envelope. (Your name, lot and division number of all eligible lots) Mail; it must be received by 5 PM, Nov. 2, 2007

Special Circumstances/Questions? Call Kitty French (Admin) at 734-6430 or Lee Langdon (N and E Chair) at 738-4010

Board of Director Candidate Biographies

<p style="text-align: center;">Curt Casey</p> <p>Curt Casey had more than 27 years of success in marketing and operations in the aerospace industry, after a military career. He wants to establish collaboration and assist the Board and General Manager to develop plans to bring about the future vision for Sudden Valley, as articulated by the membership. Casey wants to bring to fruition Sudden Valley amenities and assets, while maintaining a safe community, protecting the environment, keeping the community lifestyle and ensuring the welfare of its members.</p>	<p style="text-align: center;">Arthur M. (Mac) Carter</p> <p>I am a husband, father, son, a good friend, an aging athlete, an ocean kayaker, and an entrepreneur. My background includes a Masters Degree in Business and 30 years experience as an organization development consultant working with leaders in the U.S., Canada and Europe to develop healthy, effective, sustainable organizations. I have also held management roles in business and in volunteer organizations. I believe in the power of open, honest, and direct communication; personal accountability; trust and teamwork, learning from mistakes and driving for excellence.</p>
<p style="text-align: center;">Laura Weide</p> <p>I have lived in Gate 3 for 6 years. As a hard-working single parent, I chose the Valley for affordable housing and the feeling of community. As a computer analyst, I create change implementations daily.</p> <p>We need positive changes in our Valley. Every gate has unique issues, but routinely the highest voter turn-out comes from Gates 1 and 2. I want to provide an avenue and a voice for other Gates.</p>	<p style="text-align: center;">Ben Brigham</p> <p>Ben Brigham recently earned his Master of Marine Affairs degree from the University of Washington, where he studied tourism destination recovery. He earned B.S. degrees in Informatics and Forest Resources from UW in 2004. Ben spent most of the past 15 years in entrepreneurial ventures and has recently worked as a Lecturer for UW. He has authored a chapter on Tourism Recovery for a book published by the UN World Tourism Organization and feature articles for YTI Magazine on Volunteerism and Web 2.0 technologies.</p>

There are 4 positions open; there are four candidates. The candidates with the most votes will serve three-year terms; the one with the fewest votes will serve a one-year term.



Reference Material for Measure #1

Minimize Taxation of Member Net Income

To the Membership of the Sudden Valley Community Association:

Attached you will find a Resolution, for your approval, which enables the Association to allocate Dues on your 2008 Member Dues Quarterly Statements from Operations Dues to Capital Dues, at the discretion of the Board of Directors, in order to minimize the taxable 2008 member net income. This authorization in no way affects the total amount of dues you will be paying for 2008, nor does it allow the Directors to apply less than the members approved 2008 Capital Dues amount to Capital.

The Resolution also allows any 2007 member income in excess of member expenses, as defined by the Internal Revenue Service Code, to be carried forward to the next fiscal year without requiring the payment of income taxes on these funds for 2007.

Your Board of Directors recommends approval of the Resolution to lower and /or defer the income tax liability of the Association.

Sincerely,

A handwritten signature in cursive script, appearing to read "AM Schwartz".

Andrew M. Schwartz
Treasurer

MEASURE #1

**Resolution of the Sudden Valley Community Association IRC Section 118
& Revenue Ruling #70-604**

WHEREAS, the Sudden Valley Community Association is a Washington Corporation duly organized and existing under the laws of the State of Washington; and

WHEREAS, the members desire that this corporation shall act in full accordance with the rulings and regulations of the Internal Revenue Service.

NOW THEREFORE, the members hereby adopt the following resolutions by and on behalf of the Sudden Valley Community Association:

RESOLVED, that the Association may allocate Dues on Member's 2008 Quarterly Dues Statement from Operations Dues to Capital Dues as provided by the guidelines established by IRC Section 118, at the discretion of the Board of Directors, in order to minimize the Association's 2008 taxable net member income. Any amounts so allocated to capital replacement funds shall be allocated to the various components at the discretion of the Board of Directors

RESOLVED FURTHER, that any excess of membership income over membership expenses for the year ended December 31, 2007, shall be applied against the subsequent tax year member assessments as provided by IRS Revenue Ruling #70-604.

This resolution is adopted and made a part of the minutes of the Annual General Meeting of the Sudden Valley Community Association held on November 3, 2007.

By:



Russ Harlan
President

Attested:



Chuck McGroddy
Acting Secretary



MEASURE #2

Ratification of Deposit of Net Proceeds of the Sale of the Byron Tract Into the Emergency Capital Reserve Fund

History:

At the 1993 AGM the members approved the sale of the Byron Tract and directed that the proceeds of the sale be deposited in a "special reserve account to be used solely for the purchase of vacant lots." The Byron Tract was sold in 1997 and the funds were placed in the Emergency Capital Reserve Fund where they have remained.

Since we have completed our density reduction program, the Board of Directors recommends the ratification of the 1997 Board's action by adoption of the following resolution.

Resolution:

Resolved that the 1997 deposit of the proceeds of the sale of the Byron Tract in the Emergency Capital Reserve Fund is ratified.



MEASURE #3

Having Reached Its Density Reduction Goal of 1,400 Lots, the Board of Directors is Authorized to Sell or Trade, at Fair Market Value, Unrestricted Lots which are Not Needed for Density Reduction or Other Association Purposes

History:

At the 1993 AGM the members adopted a density reduction plan and directed that lots acquired by the SVCA be either held as permanent greenspace or sold to adjacent owners and merged. This resolution was not specifically limited to the density reduction lots. The fact that SVCA has been selling unrestricted lots on the open market since 1993 makes it clear that it was intended that the requirements for the lots to be sold to adjacent owners or held as greenspace applied only to the density reduction lots. The Strategic Plan adopted in 1999 provided for the use of the proceeds of the sale of lots to replace the dues lost when properties were foreclosed or donated to the Association.

To clarify the situation with respect to sale of lots owned by the SVCA other than restricted lots held for density reduction purposes the following resolution is proposed.

Resolution:

Resolved that having reached its density reduction goal of 1,400 lots, the Board of Directors is authorized to sell or trade, at fair market value, unrestricted lots which are not needed for density reduction or other association purposes. The proceeds from the sale of such lots shall be placed in the appropriate capital account and shall be expended for capital purposes only.



MEASURE #4

Transfer Excess Density Reduction Funds Obtained from Lot Sales to a Capital Reserve Account to Fund Capital Improvements in the Valley

History:

At the 1993 AGM the members initiated a density reduction plan by approving five resolutions. The plan provided that the lot(s) acquired should be sold to adjacent lot owners to be merged with their existing lot(s) or held by the Association as permanent greenspace. Resolution 5 adopted at that meeting approved the sale of the Byron Tract and directed that the proceeds be placed in a special capital account to be used only for the purchase of lots or other vacant land.

The Byron Tract was sold in 1997 and the proceeds of \$497,000 were placed in the Emergency Capital Reserve Fund.

The density reduction program has now surpassed its goal of 1400 lots. 800 of those lots are now owned by SVCA while the rest have been sold to adjacent owners and merged. We now have approximately \$1,000,000 in the Density Reduction Reserve Fund which includes sale proceeds and interest.

Since we have completed the Density Reduction Program, the Board of Directors recommends the approval of the following resolution.

Resolution:

Resolved that the funds now on deposit in the Density Reduction Reserve Fund in excess of \$100,000 be transferred to the Board Capital Reserve Fund to be expended for capital improvements only.

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Reference Material For Measure 5 And Measure 6



AT A CROSSROAD... **Protecting Our Investment and Lifestyle**

MISSION

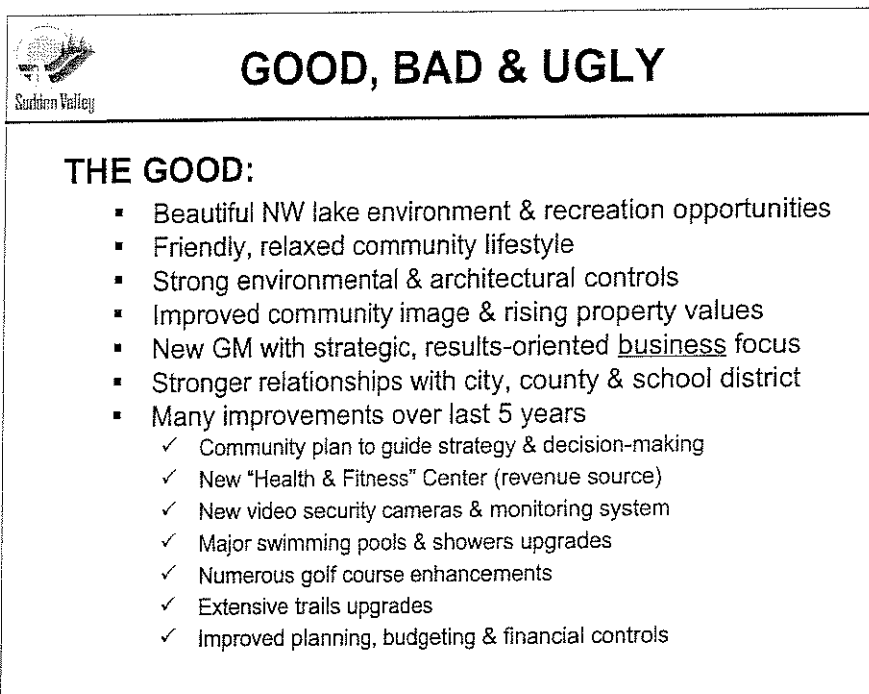
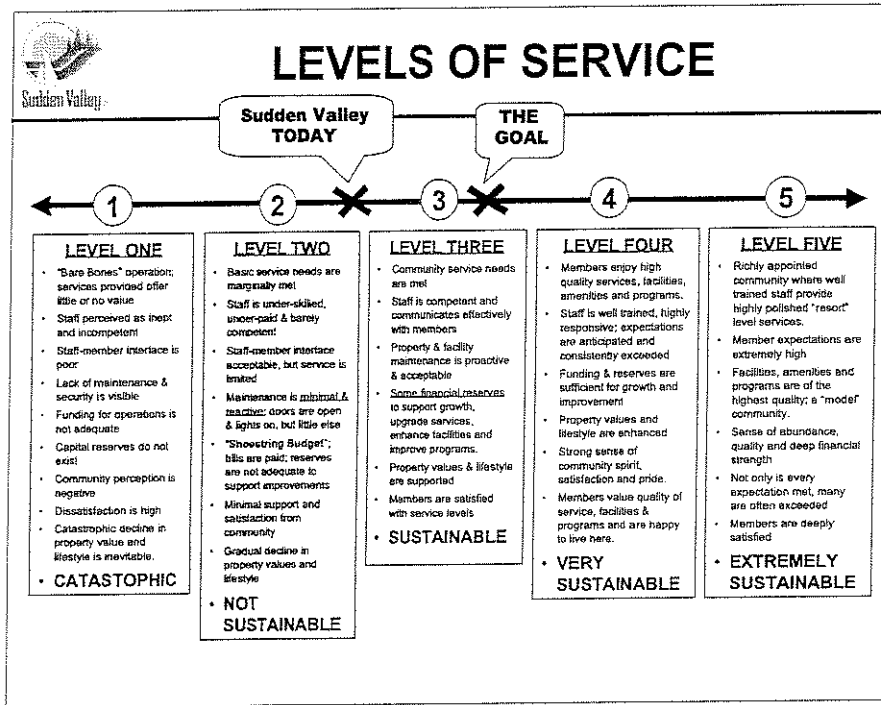
Sudden Valley is a diverse community, with many parks and recreational facilities, dedicated to securing the highest possible quality of life for our members while preserving our abundant natural resources and the quality of the Lake Whatcom watershed.



SUDDEN VALLEY SNAPSHOT

- SVCA formed in 1970; took over managing 1576 acre development from bankrupt developer
- 37 years old with 2484 developed lots; 5500+ residents; 4th largest community in Whatcom County
- \$2.3 million annual operating budget (2007); 55 miles of roads, 13 buildings (100,000 sq. ft.), 835 acres of parks & common areas, 6 miles of trails & paths, 88 boat marina, 2 pools, 5 tennis courts, RV/Boat storage, 3 beaches, clubhouse restaurant, 18-hole championship golf course & new Health & Fitness Center
- Most stringent, "state of the art" environmental & architectural community practices in Whatcom County

Reference Material For Measure 5 And Measure 6



Reference Material For Measure 5 And Measure 6



GOOD, BAD & UGLY

THE BAD:

- 6 years of inflation & escalating cost of operations
- Spending "operating" reserves (not capital) to pay operating costs due to inadequate revenue
- Inadequate "capital" reserves since inception in 1970
- Limited recreational programs
- Roads deteriorating faster than we can afford to repair (now 12 months behind schedule)
- Increased vandalism, speeding & traffic violations, criminal activity and disorderly houses
- Insufficient staff to provide adequate security, good maintenance, rules enforcement and quality services

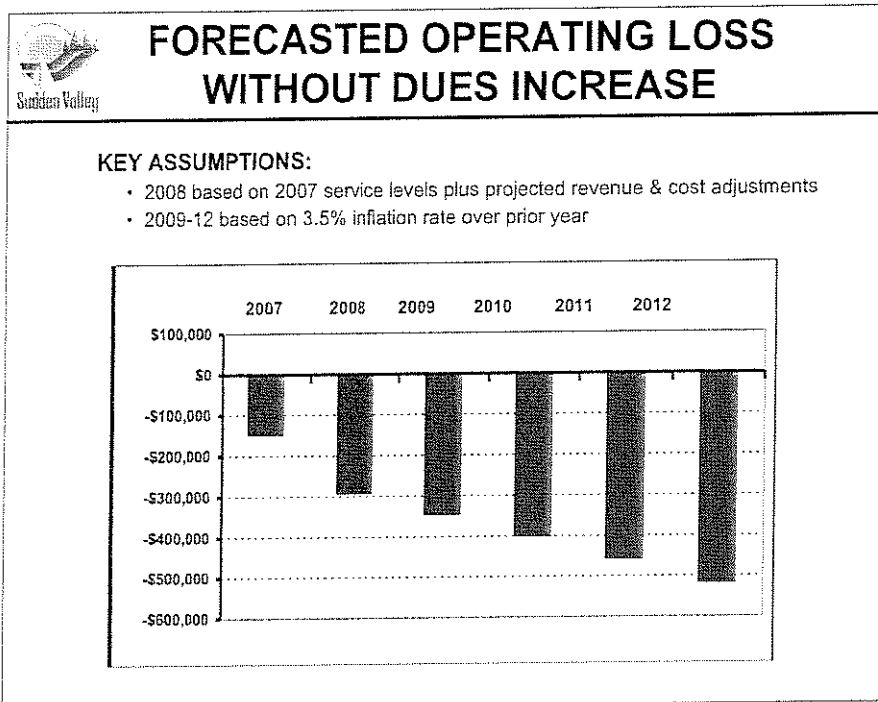



GOOD, BAD & UGLY

THE UGLY:

- SVCA is now at a critical financial crossroad
- 2007 operating costs exceed our revenue; current levels of service are NOT sustainable
- Underpaid & under-trained security staff results in high turnover and dangerously inadequate service
- Many years of minimal maintenance have left us with tired, worn and deteriorating facilities
- Either we increase revenue in 2008 OR we reduce current service levels by at least 25% (\$300,000 +/-)
- If this situation does not change, the value of our property and the quality of life in Sudden Valley will rapidly and substantially decline beginning in 2008

Reference Material For Measure 5 And Measure 6



-  **WHAT DO MEMBERS WANT?**
1. Provide minimum of "LEVEL 3" services
 2. Substantial improvement in safety & security
 3. Better maintenance of roads, facilities, parks, trails & common areas (especially snow plowing)
 4. Focus on developing revenue generating projects
 5. Expand recreational programs for all age groups
 6. Elimination of the "Recreational Use Fee"
 7. Better enforcement of rules and regulations
 8. More positive, friendly customer service
 9. Prudent planning, effective financial stewardship of SVCA funds & a balanced budget
 10. Expand volunteer participation

Reference Material For Measure 5 And Measure 6



2-PART BUSINESS STRATEGY

INCREASE DUES IN 2008 IN ORDER TO...

1. Upgrade existing service levels in all departments.
2. Develop new revenue generating projects that provide services members want and decrease dependency on future dues increases:
 - ✓ New Health & Fitness Center
 - ✓ Marina Dock Upgrade
 - New, expanded Boat & RV storage
 - New commercial-style dry storage facility
 - New "Village" commercial services center
 - Other?




BENEFITS OF DUES INCREASE

Additional revenue in 2008 will enable SVCA to continue our positive direction and achieve our goal of providing consistent "LEVEL 3" services by 2009. Plans include:

1. Upgrade level of security services
 - Pay for enhanced staff & better training
 - Greater coverage and faster response time
 - Better traffic control & speed enforcement
 - Effective utilization of new video security system
2. Upgrade level of maintenance services
 - Hire Project Manager to manage development of revenue generating projects (e.g., Health & Fitness Center)
 - Hire staff with more specialized skills to provide more cost effective routine and preventative maintenance
 - Faster storm response - snow, rain, flooding, trees, etc.
 - Greater funding for road maintenance & repairs


Reference Material For Measure 5 And Measure 6



BENEFITS OF DUES INCREASE

(cont.)

3. Better architectural control & enforcement
 - Hire staff to support high volume of member requests
 - Better enforcement of architectural regulations
 - Develop GIS database (essential data storage on lots, roads, utilities, property lines, easements, etc.)
4. Enhance recreation programs & services
 - Elimination of "Recreational Use Fee"
 - Better programs for adults, youngsters & teens
 - Continue parks & trails improvements
 - Continue supporting golf course improvements
5. Strengthen administration & finance services
 - Faster response to questions & requests
 - Friendly and more efficient administrative office
 - Better trained staff; more effective management




RECOMMENDED 2008 ANNUAL DUES INCREASE


Sudden Valley Community Association
2008 Proposed Annual Dues*

	DEVELOPED LOTS			UNDEVELOPED LOTS		
	2008	Current	Change	2008	Current	Change
OPERATIONS	\$644.52	\$353.00	\$291.52	\$559.64	\$277.00	\$282.64
CAPITAL:						
• Major Repairs & Replacements	\$95.00	\$95.00	\$0.00	\$95.00	\$95.00	\$0.00
• Roads	\$133.32	\$100.00	\$33.32	\$133.32	\$100.00	\$33.32
• Mailboxes**	\$35.00	\$35.00	\$0.00	\$35.00	\$35.00	\$0.00
TOTAL ANNUAL DUES	\$907.84	\$583.00	\$324.84	\$822.96	\$507.00	\$315.96
		Monthly Dues Increase	\$27.07		Monthly Dues Increase	\$26.33

Notes:
 * Based on 3000 Dues Payers
 ** Special mailbox project assessment; last billing is 4th Qtr, 2009

Reference Material For Measure 5 And Measure 6

 Sudden Valley	<h3 style="margin: 0;">2008 PROPOSED DUES USAGE</h3> <p style="margin: 0;">(Where Does Our Money Go?)</p>																																																
<p style="text-align: center; margin: 0;">Sudden Valley Community Association Net Cost by Category</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">OPERATIONS</th> <th style="text-align: right;">DUES \$</th> <th style="text-align: right;">% of Dues</th> </tr> </thead> <tbody> <tr><td>• Accounting</td><td style="text-align: right;">\$190,264</td><td style="text-align: right;">7.1%</td></tr> <tr><td>• Administration</td><td style="text-align: right;">413,238</td><td style="text-align: right;">15.5%</td></tr> <tr><td>• Architectural Control</td><td style="text-align: right;">120,567</td><td style="text-align: right;">4.5%</td></tr> <tr><td>• Common costs</td><td style="text-align: right;">97,861</td><td style="text-align: right;">3.7%</td></tr> <tr><td>• Maintenance</td><td style="text-align: right;">575,661</td><td style="text-align: right;">21.6%</td></tr> <tr><td>• Recreation</td><td style="text-align: right;">91,044</td><td style="text-align: right;">3.4%</td></tr> <tr><td>• Security</td><td style="text-align: right;">407,625</td><td style="text-align: right;">15.3%</td></tr> <tr><td>• Golf</td><td style="text-align: right;">(22,026)</td><td style="text-align: right;">-0.8%</td></tr> <tr><td style="text-align: right;">Subtotal</td><td style="text-align: right;">\$1,874,234</td><td style="text-align: right;">70.3%</td></tr> <tr><td colspan="3">CAPITAL</td></tr> <tr><td>• Major Repairs & Replacements</td><td style="text-align: right;">285,000</td><td style="text-align: right;">10.7%</td></tr> <tr><td>• Roads</td><td style="text-align: right;">400,000</td><td style="text-align: right;">15.0%</td></tr> <tr><td>• Mail Boxes</td><td style="text-align: right;">105,000</td><td style="text-align: right;">4.0%</td></tr> <tr><td style="text-align: right;">Subtotal</td><td style="text-align: right;">\$790,000</td><td style="text-align: right;">29.7%</td></tr> <tr><td style="text-align: right;">TOTAL NET COST</td><td style="text-align: right;">\$2,664,234</td><td style="text-align: right;">100.0%</td></tr> </tbody> </table>	OPERATIONS	DUES \$	% of Dues	• Accounting	\$190,264	7.1%	• Administration	413,238	15.5%	• Architectural Control	120,567	4.5%	• Common costs	97,861	3.7%	• Maintenance	575,661	21.6%	• Recreation	91,044	3.4%	• Security	407,625	15.3%	• Golf	(22,026)	-0.8%	Subtotal	\$1,874,234	70.3%	CAPITAL			• Major Repairs & Replacements	285,000	10.7%	• Roads	400,000	15.0%	• Mail Boxes	105,000	4.0%	Subtotal	\$790,000	29.7%	TOTAL NET COST	\$2,664,234	100.0%	<p>UNDERSTANDING HOW DUES ARE MANAGED</p> <ul style="list-style-type: none"> • SVCA must be extremely careful about properly accounting for dues money. • Federal tax law for community associations requires that member dues be separated into two categories for tax purposes - OPERATIONS and CAPITAL. • Operating dues are to be used for normal business operating costs (salaries, benefits, gasoline, supplies, utilities, vendor services, insurance, taxes, etc.) • Capital dues are allowed to be used <u>only</u> for acquisition or repair of "fixed" assets (vehicles, computers, printers, phone system, maintenance equipment, new roof, major pool repairs, golf course improvements, security cameras, fitness center equipment, etc.) • The Federal tax consequences for using Capital dues to pay for Operating Costs are <u>severe</u>.
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 Sudden Valley	<h3 style="margin: 0;">IMPACT OF NO DUES INCREASE</h3>
<p>Without a significant increase in revenue, our forward momentum will be lost and a 25% reduction in OPERATING costs will be required in 2008 (\$300,000 +/-). This will cripple SVCA operations and reduce services to <u>LEVEL 2 or lower:</u></p> <ul style="list-style-type: none"> ➤ Significant reduction in safety & security <ul style="list-style-type: none"> ▪ Reduced staff, fewer areas patrolled & slower response ▪ Higher turnover, lower skilled officers ▪ Less traffic control & security enforcement ➤ Major reduction in maintenance services <ul style="list-style-type: none"> ▪ Reduced staff, hours & routine maintenance ▪ Eliminate virtually all preventative maintenance ▪ Major reduction in ability to clear storm damage (ex: snow plowing on major roadways only) ▪ Continued deterioration of parks, facilities and grounds 	

Reference Material For Measure 5 And Measure 6



IMPACT OF NO DUES INCREASE

(cont.)

- Major reductions in golf & recreation programs, services & facilities
 - Cut back on golf course staff, services & maintenance (eliminate top dressing, longer mowing intervals, reduce storm damage response, marketing & customer service)
 - Close Main & Adult pools
 - Eliminate all non-sustaining youngster, teen & adult programs
- Reduction in Architectural Control services & enforcement leading to increase in issues & complaints regarding AC rule violations
- Severely curtail capital improvements & developing revenue-generating projects due to lack of staff
- Reduce front office hours, staff & services generating increase in member requests & complaints
- Increased fees for special services, activities and events
- Reduced communication (SV newspaper, Channel 10, SV website, bulletin boards, announcement signs, etc.)
- Probable loss of KEY STAFF essential to run SVCA



IN SUMMARY

SVCA is at a critical crossroad:

- SVCA expenses exceed revenue - current levels of service are NOT sustainable
- The dues increase will enable SVCA to provide the higher levels of service needed to protect the value of our property and sustain our lifestyle
- **WITHOUT** the dues increase, a 25% reduction in operating costs (\$300,000) will be required. This will cripple operations, undermine property values and lower the quality of life in Sudden Valley
- We have an excellent opportunity to move ahead in a positive direction, but YOUR VOTE is needed!
- **VOTE "YES" ON THE RECOMMENDED DUES**



MEASURE #5

Approve that the Total Annual Dues Be Set at \$907.84 for Developed Lots and at \$822.96 for Undeveloped Lots for 2008 (This is a monthly increase of \$27.07/lot for developed lots and \$26.33/lot for undeveloped lots.)

Reference Material for Measure #5

The information below describes how the dues are applied to Operations and Capital, and how 2008 dues compare to current 2007 dues.

The amount of dues for developed and undeveloped lot owners was determined by a department-by-department analysis of SVCA revenue & expenses by the Finance Committee. The final determination for Developed and Undeveloped dues is based on actual benefits received from each SVCA department. For more detail, see Measure #6 for 2008 Recommended Annual Budget and benefit analysis.

Sudden Valley Community Association 2008 Recommended Annual Dues*						
	DEVELOPED LOTS			UNDEVELOPED LOTS		
	2008	Current	Change	2008	Current	Change
OPERATIONS	\$644.52	\$353.00	\$291.52	\$659.64	\$277.00	\$282.64
CAPITAL:						
• Major Repairs & Replacements	\$95.00	\$95.00	\$0.00	\$95.00	\$95.00	\$0.00
• Roads	\$133.32	\$100.00	\$33.32	\$133.32	\$100.00	\$33.32
• Mailboxes**	\$35.00	\$35.00	\$0.00	\$35.00	\$35.00	\$0.00
TOTAL ANNUAL DUES	\$907.84	\$583.00	\$324.84	\$822.96	\$507.00	\$315.96
	Monthly Dues Increase		\$27.07	Monthly Dues Increase		\$26.33

Notes:
 * Based on 3000 Dues Payers
 ** Special mailbox project assessment; last billing is 4th Qtr, 2009

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MEASURE #6

Approve a Balanced 2008 Net Operating Budget of \$1,874,234 which is Based on Approval of Measure #5 – Dues Increase

Reference Material for Measure #6

The information below is a summary of the total 2008 Annual Operating Budget by department. It includes anticipated Revenue and Expenses by department as well as projected Member Operating Dues. For more detail, see “2008 Recommended Operating Budget” attached.

Sudden Valley Community Association 2008 Recommended Annual Budget				
DEPARTMENT	REVENUE	EXPENSES*	NET SURPLUS / (LOSS)	BENEFITS RECEIVED**
Architectural Control	\$64,800	\$205,367	(\$120,567)	Equal
Accounting	36,000	226,264	(190,264)	Equal
Administration	78,862	589,981	(511,099)	Equal
Maintenance	20,100	595,761	(575,661)	Equal
Recreation	12,250	207,670	(195,420)	Developed Only
Security	25,000	432,625	(407,625)	Equal
Subtotal	\$257,032	\$2,257,668	(\$2,000,636)	
Revenue Generating Projects***	291,115	186,739	104,376	Equal
Golf	779,655	757,629	22,026	Equal
Net Operating Budget	\$1,327,802	\$3,202,036	(1,874,234)	
Member Operating Dues****	1,874,234		1,874,234	
TOTAL 2008 BUDGET	\$3,202,036	\$3,202,036	\$0	

NOTES

* Expenses exclude depreciation

** Benefits for Developed vs. Undeveloped lots

*** Revenue generating projects include: Marina, Health & Fitness Center and Facility Rentals

**** Based on 3,000 Dues Payers

Reference Material for Measure #6

Sudden Valley Community Association
2008 Recommended Operating Budget

Revenues	Dues & Reserves	ACC	Accounting	Admin-istration	Main-tenance	Recreation	Security	Sub Total	Revenue Generating Projects	Golf	Total
Current Year Total Dues	2,664,234							2,664,234			2,664,234
Capital Funding	(285,000)							(285,000)			(285,000)
Roads Funding	(400,000)							(400,000)			(400,000)
Special Assessment Mailbox Funding	(105,000)							(105,000)			(105,000)
Net Dues, Operations	1,874,234							1,874,234			1,874,234
Revenues from Operations	84,800	84,800	36,000	78,882	20,100	12,250	25,000	257,032	291,115	779,655	1,327,802
Total Revenue for Operations	1,874,234	84,800	36,000	78,882	20,100	12,250	25,000	2,131,266	291,115	779,655	3,202,036
Expenses *											
Salaries, Taxes & Benefits		188,131	178,444	311,042	425,041	114,686	362,013	1,579,357	102,625	523,877	2,205,859
Other Employee Costs		5,500	2,000	6,497	1,442	500	10,600	26,539	1,950	4,920	32,509
Advertising		0	0	0	0	2,646	0	2,646	200	18,000	20,846
Audit Services		0	20,000	0	0	0	0	20,000	0	0	20,000
Bank & Credit Card Fees		0	0	1,667	0	650	0	2,317	400	8,000	10,717
Communications & Utilities		2,784	3,240	32,042	38,397	51,017	6,817	134,297	48,800	40,532	223,629
Dues & Subscriptions		0	0	1,350	0	0	120	1,470	0	3,375	4,845
Insurance		0	0	49,092	11,427	7,915	10,288	78,722	15,831	18,280	112,833
Materials & Supplies		1,825	1,200	10,468	36,270	26,387	30,700	106,850	5,325	79,928	192,103
Other Services		450	4,650	51,061	32,600	0	3,550	92,311	0	8,500	100,811
Printing & Postage		1,451	9,990	4,567	40,692	300	1,020	17,328	1,977	11,136	30,441
Repairs & Maintenance		354	200	1,115	40,692	1,650	1,560	45,571	3,100	29,112	77,783
Sudden Valley Views Expenses		0	0	74,498	0	0	0	74,498	0	0	74,498
Taxes, Licenses & Permits		1,372	540	1,285	1,291	1,719	526	6,733	4,139	3,777	14,649
Vehicle & Equipment Expenses		3,500	0	13,632	8,498	200	5,431	31,261	0	4,872	36,133
Other Expenses		0	6,000	31,665	103	0	0	37,768	3,292	3,320	44,380
Total Functional Expenses *		205,367	226,264	589,981	595,761	207,670	432,625	2,257,668	186,739	757,629	3,202,036
NET INCOME (LOSS) *	1,874,234	(120,567)	(190,264)	(511,099)	(575,661)	(195,420)	(407,625)	(126,402)	104,376	22,026	0
AVERAGE FTE'S +		4.6	3.0	6.1	10.8	3.1	9.3	36.9	3.5	14.1	54.5

* excluding depreciation
+ full time equivalent employees



No. _____

DESIGNATED AGENT PROXY FOR SVCA 2007

Annual Meeting of November 3, 2007

I, _____, owner or contract
(print your own name here)

purchaser of Division _____, Lot(s) _____, or condominium _____

_____ do hereby constitute and appoint:

Kenneth Enright or Kathy Long Designated Agent

as my attorney-in-fact and agent for me and in my name, place and stead to vote as my proxy solely as I have designated on the reverse side of this proxy by marking my voting instructions on the matters listed and for no other issues or matters submitted to a vote of the members of the Sudden Valley Community Association, a non-profit Washington Corporation, at the Annual Meeting of the members to be held at the Sudden Valley Dance Barn on November 3, 2007 at 1:00 p.m., or any adjournment thereof. Granting and acceptance of this proxy shall be subject to and limited by Article II, Sections 7 & 8 of the SVCA Bylaws.

DATE _____ SIGNED _____

(Please turn this proxy over for my instructions)

VOTING INSTRUCTIONS FOR THE DESIGNATED AGENT

I hereby authorize my attorney-in-fact to vote on the following matters according to my marked instructions.

Cast your vote on all issues and for the Board of Directors below:

MEASURE #1

Resolution of the SVCA for IRC 118
& Revenue Ruling 70-604

Vote For: _____ Vote Against: _____

MEASURE #5

Approve that the Total Annual Dues Be Set at
\$907.84 for Developed Lots and at \$822.96 for
Undeveloped Lots for 2008

Vote For: _____ Vote Against: _____

MEASURE #2

Ratification of Deposit of Net Proceeds of the
Sale of the Byron Tract Into the Emergency Capital
Reserve Fund

Vote For: _____ Vote Against: _____

MEASURE #6

Approve a Balanced 2008 Net Operating Budget
of \$1,874,234 which is Based on Approval of
Measure #5 - Dues Increase

Vote For: _____ Vote Against: _____

MEASURE #3

Having Reached Its Density Reduction Goal of 1,400
Lots, the Board of Directors is Authorized to Sell or
Trade, at Fair Market Value, Unrestricted Lots
which are Not Needed for Density Reduction or
Other Association Purposes

Vote For: _____ Vote Against: _____

MEASURE #4

Transfer Excess Density Reduction Funds
Obtained from Lot Sales to a Capital Reserve
Account to Fund Capital Improvements in
the Valley

Vote For: _____ Vote Against: _____

ELECTION TO THE BOARD OF DIRECTORS

3 - THREE YEAR TERMS

1 - ONE YEAR TERM

MARK IN BOX

Vote for up to four (4) candidates.

The candidates with the highest number of votes win
the longest terms.

CURTIS CASEY

LAURA WEIDE

ARTHUR "MAC" CARTER

BENJAMIN BRIGHAM



No. _____

COMMON PROXY FOR SVCA 2007

Annual Meeting of November 3, 2007

I, _____, owner or contract
(print your own name here)

purchaser of Division _____, Lot(s) _____, or condominium _____

_____ do hereby constitute and appoint:

(print the name of the person you are appointing)

as my attorney-in-fact and agent for me and in my name, place and stead to vote as my proxy on each matter submitted to a vote of the members of the Sudden Valley Community Association, a non-profit Washington Corporation, at the Annual Meeting of the members to be held at the Sudden Valley Dance Barn on November 3, 2007 at 1:00 p.m., or any adjournment thereof. Granting and acceptance of this proxy shall be subject to and limited by Article II, Sections 7 & 8 of the SVCA Bylaws.

DATE _____ SIGNED _____



No. _____

COMMON PROXY FOR SVCA 2007

Annual Meeting of November 3, 2007

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DATE _____ SIGNED _____

**SUDDEN VALLEY
COMMUNITY ASSOCIATION
NOV. 3, 2007**

*** * * OFFICIAL BALLOT * * ***

Election to the Board of Directors
3 - THREE YEAR TERMS
1 - ONE YEAR TERM

MARK IN BOX

Vote for up to four (4) candidates.
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- CURTIS CASEY
- LAURA WEIDE
- ARTHUR "MAC" CARTER
- BENJAMIN BRIGHAM

ABSENTEE BALLOT

**SUDDEN VALLEY
COMMUNITY ASSOCIATION
NOV. 3, 2007**

*** * * OFFICIAL BALLOT * * ***

Election to the Board of Directors
3 - THREE YEAR TERMS
1 - ONE YEAR TERM

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- ARTHUR "MAC" CARTER
- BENJAMIN BRIGHAM

ABSENTEE BALLOT

**SUDDEN VALLEY
COMMUNITY ASSOCIATION
NOV. 3, 2007**

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