

Special Meetings Announcement July 29, 2010, 7:30pm, MKL Clubhouse

Dear MKL Resident,

In January 2009 The Financial Committee (FC) of the MKL Association was commissioned to study and make recommendations on future long term, capital-intensive maintenance projects at MKL. After much research and extensive community outreach, the FC has now concluded its study and made its final recommendations to the boards of the Lakeshore Company and MKL Association. The boards believe **these proposals are in the best interests of the MKL community and have accepted these recommendations in full.**

Summary

The Problem:

Long term, large-scale maintenance projects for the lake, water service and roads will cost MKL residents roughly \$650,000 per decade (about \$650 per-household per-year). The FC has proposed several methods to ensure funding is available to meet these projected maintenance costs. These proposals include **no new dues increases** and **reduce the need for future dues increases** for capital-intensive projects.

The Proposal:

1. **Establish a Membership Fee** for new property owners at MKL. This fee would be 1% of the sale price of the property, would be paid by the buyer at closing, and would go into effect **on July 31, 2011**. It would not be applicable to persons moving within the community, or to new owners receiving property via inheritance. This fee is estimated to affect about 4 property transfers per year, and generate \$300,000 per decade and thus would effectively **reduce** residents' **future dues increases** for infrastructure projects by about \$300 per-household per-year.

2. Because the FC believes that the MKL community is unlikely to sell all of its real estate holdings, to continue paying taxes on all of them is unnecessary. It therefore proposes to **reduce property taxes** paid by the Lakeshore Company by approximately 50%, by putting some of the lots it owns into a permanent conservation easement and tax-abated status and to put the saved taxes into **Reserve Funds**. Conserved status would render the lots un-developable, and thus un-sellable, in return for paying no taxes on them. The FC proposes retaining six valuable lots in unabated (and thus sellable) status in the event of an unseen catastrophe. Because of MKL's extensive insurance, the FC believes that the likelihood of ever selling any of these six lots in an emergency is remote. This proposal should generate about \$180,000 per decade and thus would effectively **reduce** residents' **future dues increases** for infrastructure projects by about \$180 per-household per-year.

3. Put these accumulated funds into separately, and conservatively (e.g. no stocks) managed **Reserve Funds**. Oversight of these funds would rest in 3 non-board community members.

Without increasing dues or assessments, these measures, together with a portion of the current contributions towards roads repairs, should generate about \$696,000 for the 2011-2020 decade, roughly the dollar requirement needed to meet the large-scale maintenance projects.

Because these proposals affect both the MKL Association and Lakeshore Companies it is necessary to have two Special Meetings to vote on the FC's proposals. These meetings will be held sequentially on **July 29th, 2010**, starting at **7:30pm** at the **MKL Clubhouse**.

Attached Documents

For the **MKL Association Special Meeting**:

1. Two proxies per household for those households having two voting Association members. Single adult households only have one vote. For those attending the meeting these proxies will serve as ballots. Those not attending the meeting but wishing to vote can submit their vote in advance by completing and tendering proxies to Austin Godfrey, 32 Lake Trail West. These proxies contain a simplified ballot question presenting a supporting (yes) vote or a rejecting (no) vote.
2. The text of proposed Association bylaw changes used to codify the proposal.

For the **Lakeshore Company Special Meeting**:

3. One proxy per household. For those attending the meeting these proxies will serve as ballots. Those not attending the meeting but wishing to vote can submit their vote in advance by completing and tendering these proxies to Austin Godfrey, 32 Lake Trail West. These proxies contain a simplified ballot question presenting a supporting (yes) vote or a rejecting (no) vote.
4. The text of proposed Lakeshore bylaw changes used to codify the proposal.
5. A list of Lakeshore lots which are proposed to be tax-abated. A list of Lakeshore lots whose status will remain unchanged.
6. A map of Lakeshore lots showing the lots to be tax-abated and those to remain unchanged.

Because of the extensive community outreach over the past year, only a very brief description of the proposal will be made at the Special Meetings. Extensive documentation of the FC proposal can be found on the MKL website. If you wish to discuss any aspect of these proposals in advance of the meeting, please contact Austin Godfrey at 973-425-6491. We urge you to attend these meetings or vote by proxy.

We strongly urge you to submit proxies to Austin Godfrey before the meeting even if you intend to go to the meeting, because a) we need as many proxies as possible in advance of the meeting to be sure we have a quorum, and b) something may come up and prevent you from attending the meeting. If you do attend the meeting you can always revoke your proxy and change your vote at the meeting.

The Board of the Lakeshore Company
The Board of the MKL Association
