

## Lochmere

c/o HRW, Inc., an Associa member company  
4700 Homewood Court, Suite 380, Raleigh NC 27609  
Phone (919) 787-9000 Fax (919) 783-9534  
[www.lochmerehoa.org](http://www.lochmerehoa.org)  
customer care@hrw.net

June 1, 2010

Dear Lochmere Homeowner:

The reason you received this Ballot is so that you can vote on the proposed purchase by the Lochmere Homeowner's Association of the Swim and Tennis Facilities in Lochwood and Highlands, which are currently owned by the Lochmere Recreation Club, and commonly known as the Lochmere Swim and Tennis Club. The ballot contains two provisions. Please mark them both per your voting decision. The first proposes the acquisition or "annexation" of the two club properties, bringing them into our common area. The second authorizes a homeowner's assessment increase of up to \$260.00 per year to acquire and operate the facilities. This increase would be added to the annual assessment currently paid by each homeowner for the maintenance and operations of the common areas. This proposal provides that every homeowner will have access to the club facilities with no additional fees (universal access).

The assessment increase would include

- Capital acquisition of the properties as Lochmere Common Area
- Annual operating costs of the club facilities
- Insurance
- Funding of capital reserves for all future club maintenance and upkeep
- Immediate repairs and improvements which are needed
- Loan payments on any new loan the Association would take out to fund the acquisition of the property

The financial statement included gives detail that supports the budget plan that indicates \$260.00 is a proper and sufficient amount

Please note – the Homeowner's Association Board has conducted over a year of due diligence on this potential transaction. This has included a confidential business appraisal by a firm specializing in recreational properties, an examination of the books and operations of the current club, interviews with current and former club management and Board members, months of budget modeling by the Lochmere Association Board and Treasurer, and a professional Capital Reserves Study conducted by a local engineering firm to identify and budget for long range maintenance, repair, and replacement costs. The Capital Reserves Study is available for viewing at the HRW office, 4700 Homewood Court, Raleigh, NC 27609.

It is anticipated that the acquisition would be negotiated with Wachovia, the current lienholder of the properties, not with the current owner, the Lochmere Recreation Club. The transaction would occur after Wachovia foreclosed on the properties and, as such, the Homeowner's Association would acquire no debt from the old club.

To be clear, this acquisition and dues increase are contingent upon negotiating a successful sales price with Wachovia. However, the board cannot proceed further with negotiations until membership approval is secured through this vote. Rest assured that the limitations of this vote will apply to any subsequent purchase, and the assessment could not be increased above the amount stated in this vote without another vote of the membership.

Please mark your ballot and return in the enclosed envelope. The sealed ballots are due at the HRW Management office no later than 5:00 PM on July 20, 2010. These ballots will be counted by HRW with the oversight of a homeowner review board.

All owners of property in Lochmere are entitled to vote, as long as their homeowner's assessment account is paid in full as of July 15, 2010.

This is an important matter to all of us in Lochmere. We ask that you become informed on the issue and make the best decision as you see it for Lochmere. Informational meetings will be held at the Lochmere main club facility at 502 E. Lochmere Drive at 7:30PM on Tuesday, June 8 and Wednesday, June 16. Additional information is available on the Lochmere Homeowner's website at [www.strongerlochmere.com](http://www.strongerlochmere.com).

Thank you for giving this matter your attention and vote.

Sincerely,

Kent Smith  
President  
Lochmere Association

Enclosures: Ballot (complete and return)  
Recreation facility estimated budget  
Reply envelope

## Estimated Annual Lochmere Swim, Tennis, & Social Club Operating Costs

Additional Annual Assessment for Each of the 2,170  
Currently Existing LHOA Dwelling Unit & Site Members \$ 260

Total Annual Operating & Maintenance Costs	
Operating Expenses	\$ 422,040
Debt Service & Capital Reserve	<u>\$ 137,959</u>
Total Expenses	<u>\$ 559,999</u>

### 2011 Detailed Operating Expense Budget

Pool Expenses	
Salaries	
Pool Manager/Maintenance Supervisor, Maintenance, Aquatics Coordinator, Water Fitness Instructor, Grill Master	\$ 114,240
Maintenance & Supplies	<u>\$ 33,600</u>
Total Pool Expenses	<u>\$ 147,840</u>

Tennis Expenses	
Maintenance & Supplies	<u>\$ 6,720</u>
Total Tennis Expenses	<u>\$ 6,720</u>

General Expenses	
Salaries	
Club Manager, Bookkeeper/Administrator	\$ 87,920
Employee Benefits	\$ 8,400
Staff Recruiting	\$ 560
Dues and Subscriptions	\$ 112
Insurance	\$ 26,880
Janitorial	\$ 4,480
Landscape	\$ 25,000
Accounting Fees	\$ 2,800
Office Supplies	\$ 3,696
Postage	\$ 896
Printing	\$ 2,688
Repair & Maintenance	\$ 3,360
Security	\$ 1,120
Seminars & Education	\$ 336
Supplies & Equipment	\$ 6,832
Telecommunications	\$ 6,720
Uniforms	\$ 560
Utilities	\$ 44,800
Payroll Tax @ 20%	\$ 26,880
Property Tax	\$ 13,440
Total General Expenses	<u>\$ 267,480</u>

Total Annual Operating and Maintenance Costs \$ 422,040

### References:

- 1 Reviewed LSTC Audited Financial Reports for 2004-2008 (2009 financial reports not used due to atypical facility operation--Highlands pool facility closed)
- 2 Real Estate appraisal by national firm specializing in recreational properties
- 3 Reserve Study conducted by Engineering Firm with experience in swim and tennis facilities
- 4 Data and Insight Provided by HRW, Inc Lochmere Property Manager
- 5 Consulted Financial Lending Institutions regarding current debt service rates
- 6 Debt Service Calculator Provided by FAB
- 7 Consulted Past and Present LSTC Board of Directors, Treasurer, and Staff
- 8 Extensive Budget Modeling by LHOA Board Members & Treasurer

**Notice of Meeting by Mail and  
Ballot Related to Annexation and Acquisition  
of Recreational Amenities as Common Area**

June 1, 2010

Pursuant to N.C. Gen. Stat. § 55A-7-08, please take notice that a special meeting of the Lochmere Association, Inc. is being conducted by mail for the sole purpose of voting on issues related to annexation, acquisition, and operation of Swim and Tennis facilities as more fully described below. Specifically, the issues to be voted on are as follows:

1. Annexation of the real property located at 502 East Lochmere Drive and 200 Loch Highlands Drive, as well as the improvements located thereon.  
(Described as certain real property and any improvements thereon located at 502 East Lochmere Drive, Cary, Wake County, North Carolina, and being comprised of approximately 9.93 acres and certain real property and any improvements thereon located at 200 Loch Highlands Drive, Cary, Wake County, North Carolina, and being comprised of approximately 4.92 acres)
2. Approval of an increase in the Basic Annual Assessment in the amount of up to \$260.00 per Dwelling Unit to support the purchase, maintenance and operation of the Lochmere Swim and Tennis Club facilities. (Note, no dues increase will occur if the Annexation *[item 1 above]* does not pass or a successful purchase agreement is not reached with the seller)

**All ballots must be returned no later than 5:00 p.m. on July 20, 2010**, and the presence of a quorum for each issue will be determined from the ballots received as of that date and time. Please note that unless a sufficient number of votes “**for**” both items are received, the Board will be unable to move forward with the facilities acquisition.

A self-addressed envelope is included for your convenience in voting and returning your ballot. In the alternative, please return your ballots to: HRW, 4700 Homewood Court, Suite 380, Raleigh, NC 27609.

All owners of property in Lochmere are entitled to vote, as long as their homeowner’s assessment account is paid in full as of July 15, 2010

**BALLOT**

**LOCHMERE ASSOCIATION, INC.**

1. Pursuant to Article VIII, Section 1 of the Declaration of Master Covenants, Conditions and Restrictions for Lochmere, the undersigned hereby votes as follows regarding annexation of the real property located at 502 East Lochmere Drive and 200 Loch Highlands Drive, including the improvements thereon:

\_\_\_\_\_ **For**

\_\_\_\_\_ **Against**

2. Pursuant to Article IV, Section 3 of the Declaration of Master Covenants, Conditions and Restrictions for Lochmere, the undersigned hereby votes as follows regarding an increase in the Basic Annual Assessment in the amount of up to \$260.00 per Dwelling Unit to support the purchase, maintenance and operation of the swim and tennis facilities at 502 East Lochmere Drive and 200 Loch Highlands Drive:

(Note, no dues increase will occur if the Annexation [item 1 above] does not pass or a successful purchase agreement is not reached with the seller)

\_\_\_\_\_ **For**

\_\_\_\_\_ **Against**

\_\_\_\_\_  
Signature of Member

\_\_\_\_\_  
Address

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

**PLEASE NOTE THAT BALLOTS ARE DUE NO LATER THAN 5:00 P.M. ON JULY 20, 2010.**