

**ORGANIZATION GUIDELINES
FOR
BAY QUARTER SHORES, INC.
HEATHSVILLE, VIRGINIA**

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ORGANIZATION GUIDELINES FOR BAY QUARTER SHORES, INC.

PREFACE

This manual provides guidelines for organizing operations of the Corporation, hereafter called the Association. It provides insights on what needs to be done - not how they will be done. It was developed primarily to provide an overall perspective, a uniform philosophy of organization and a single document for easy reference. It was not intended that the functional statements provided herein be rigid or all-inclusive. Personalities, experiences, availability, working conditions and environmental factors require flexibility for change and improvement to satisfy the needs of time.

The respective roles of the officers, other directors on the Board of Directors and committees are important for the proper functioning of the Association. Clarification and amplification of these roles is a progressive step toward developing a dynamic organization and operation. However this objective only can be accomplished if the elected officials and committee personnel utilize guidelines provided and execute their assigned work efforts with willingness and positive attitudes.

Also important are the personal relationships developed between officers and directors on the Board. Association conduct of business cannot be carried out effectively without mutual cooperation, timely and complete communication, compromised decision making, loyalty, mutual respect, support in carrying out Board decisions, active participation between meetings and good attendance at meetings.

The roles and relationships of the officers and directors are particularly significant when there is no paid working staff to carry out the detailed work of the Board. The turnover of Board members, mixed effectiveness in carrying out their assignments, general tendency to communicate verbally rather than in writing and general tendency to ignore guidelines tend to create problems of maintaining continuity of operations and corporate memory. This emphasizes the importance of following or modifying the guidelines herein so that succeeding Boards can understand and continue on-going effort without "reinventing the wheel".

These guidelines were originally developed in 1977. They were completely revised and approved by the Board of Directors in April 1996. These guidelines should be revised or updated when permanent changes in the organization structure and assignment of duties are made. As a minimum they should be reviewed at least every three years to ensure they are current.

A. SCOPE AND PURPOSE

1. A well defined organization structure is a fundamental requirement for sound management and operation of a Corporation. In Bay Quarter Shores, the corporate documents provide a framework for this structure. However, the temporary and voluntary nature of the elected officials and the lack of full-time people with corporate memory regarding association matters are reasons for having a clear definition of the organization structure and the functions of the various personnel involved.

2. The purpose of this manual therefore is to provide some corporate history of the organization and structure of the association and to provide guidelines on the functions of key representatives. The future of the association is dependent on reliable people directing and operating the organization on a day-to-day basis, all working together as a single team in a harmonious, cooperative and communicative manner, and all maintaining good relationships with the membership. It is hoped this manual will be useful to them in better understanding and executing their roles in a business-like fashion.

B. BACKGROUND ON THE BOARD OF DIRECTORS CONCEPT

1. Corporate laws of many states generally define a Board of Directors as a group of persons legally vested with the power to manage, control and conduct the affairs of a corporation. Thus, the Board of Directors is legally considered the representative of the stockholders or owners empowered to manage corporate affairs. However, corporate laws recognize that the Board of Directors usually cannot carry out these responsibilities alone and therefore must be the source for delegating authority and responsibility within the corporate organization. As a result, it is customary to establish sub-organizations to perform the detailed management and operating functions under the aegis of the Board of Directors.

2. The Board of Directors of a corporation in actual operation therefore is not the sole governing organization that the law ideally considers it to be. For all practical purposes it is an organ of review, appraisal, policy making and appeal. Since the Board member's position is one of "trusteeship" in watching over the assets and future of the corporation for the benefit of the stockholders or owners, he/she is required to give "conscientious deliberation" to overall corporate matters such as broad planning, development of major policies and formulation of a basic philosophy of action.

3. Because Bay Quarter Shores does not have a full time manager and staff to perform its detailed management and operating functions. Board members must not only act as "trustees" but also are expected to provide a dual role in performing the detailed functions normally required of any organization on a day to day basis. This involves a myriad of tasks, including answering letters and personal inquiries, preparing disclosure packets and welcome letters, reviewing building permit applications, maintaining current lists of members and other records, ensuring the books are accurate and balanced, keeping the membership informed especially through the newsletter, supervising the caretaker, purchasing equipment and supplies, processing liens and collecting delinquent fees, hiring contractors to perform work, etc. The nature of the work requires much of it must be done on a day to day basis. It cannot be carried out at periodic Board meetings. This dual role responsibility generally is one not readily understood or appreciated by the membership or newly elected Board members of the Association. Past experience has indicated that serious deterioration of the Association's management operation results when Board members do not provide the necessary leadership in carrying out these day to day functions efficiently and effectively.

C. BACKGROUND ON BAY QUARTER SHORES SUBDIVISION

1. The Bay Quarter Shores Subdivision was developed in 1964 by the American Central Corporation, which is now owned by the International Paper Company. The Subdivision was then called "Holiday Ranch Club". It was managed and operated by the American Central Corporation until 1971 under seven sets of Covenants. In 1996, as a forerunner to separate Association management, the local manager for the Corporation established an Executive Committee, consisting of four lot owners, to advise and assist him in managing local affairs. In 1971, through the joint efforts of a few members and the developer, Bay Quarter Shores, Inc. was established and incorporated as a separate entity. Then by agreement of transfer and quit claim deed, the Association was conveyed all rights, title and interest of the developer in the subdivision.

2. The Association continued to operate for over twenty years under the seven original covenants and under the ByLaws approved by the membership after its incorporation. In 1993, inter alia, the seven covenants were reduced to one. In 1995, certain changes were made to this amendment to complete the revision started in 1993. In 1995, the ByLaws also were updated consistent with the covenants.

3. One of the major changes in the amended ByLaws was to eliminate the confusion involved with a dual organization structure. This consisted of the Board of Directors and the Executive Council, with the Board meeting occasionally to establish policy and the Executive Council, consisting of the officers, meeting monthly to independently manage and operate the Association. With the elimination of the Executive Council, various officer positions and their functions also were changed. These changes are reflected in this manual. The elimination of the Executive Council changed monthly meetings of the Council to monthly meetings of the Board. Work of the officers has not changed significantly and still requires them to have close and frequent working relationships between Board meetings.

D. BACKGROUND ON APPLICABLE LAWS

1. The Association operates in accordance with the Virginia Nonstock Corporation Act (previously called the Virginia General Corporation Act) and the Virginia Property Owners Association Act (VPOAA).

2. The general powers of the Association as specified in the Virginia Nonstock Corporation Act (Title 13.1-826 Code of Virginia) are provided in Enclosure (1).

3. The Virginia Nonstock Corporation Act (Title 13.1-853 Code of Virginia) also states requirements for and duties of the Board of Directors as follows:

“ A. Each corporation shall have a board of directors.

B. All corporate powers shall be exercised by and under the authority of, and the business of the corporation managed under the direction of, its board of directors, subject to any limitation set forth in the articles of incorporation.”

It should be emphasized that the membership of the Association elects Board members so they will exercise the decision-making powers of the Association subject to limitations set forth in corporate documents and the law. Thus the members should not expect the Board to have to clear all major decisions of the board with them before they are issued. This does not mean that reactions and suggestions about pending decisions should not be solicited beforehand from informed or experienced owners.

4. The Virginia Property Owners Association Act (VPOAA) was developed to provide some detailed legal uniformity in the management and operation of Property Owners Associations. Wherever possible it provides consistency with the Virginia Condominium Act. Many of the requirements in the current ByLaws parallel requirements imposed by the VPOAA.

E. BACKGROUND ON CORPORATE DOCUMENTS

1. Corporate documents include the Covenants, Articles of Incorporation, ByLaws and Rules and Regulations. The Covenants provide the apex of a hierarchy of documents in the above order, all of which are mutually supportive. Generally the Covenants provide a kind of constitution and general framework for the Subdivision and the Association, including basic land rules, property rights, building restrictions, easements, and payment of maintenance fees. They also provide an organization framework for the Building Control Committee. Changes to the Covenants require membership vote. This document is recorded in the Northumberland County Courthouse.

2. The Articles of Incorporation provides a charter between the state and the Association. It specifies the corporate name of the organization, the purposes for which the Association is organized, the classes and requirements of membership and voting rights. A report is prepared by the Association lawyer and filed with the State Corporation Commission annually.

3. The ByLaws generally contain the administrative and business framework of the organization, including basic organization, policy and procedures for operating the Association. The ByLaws define in general terms the duties of the Board of Directors, its members and various committees considered essential to the operation of the Association. Relationships with the membership are also defined. Changes to the ByLaws require membership vote. The ByLaws are not filed in the Courthouse.

4. As the name implies, Rules and Regulations provide rules of operation involving the common facilities and amenities, elaborate on rules established in the Covenants or ByLaws and provide information relative to certain County/State requirements that impact on Bay Quarter Shores rules. The Board of Directors is empowered to establish Rules and Regulations for the good of the community. However, new rules may require a vote of the membership in accordance with the VPOAA if there is major objection.

F. ORGANIZATION OF THE ASSOCIATION

1. The organization chart for Bay Quarter Shores, Inc. is shown in Figure 1. Generally, the Association is made up of the members - both regular and associate. Regular members are lot owners who share in the ownership of the common property in the subdivision and who have voting rights as indicated in the ByLaws. Associate members are generally local individuals granted use privileges of the common amenities. They do not have voting rights. Their membership enhances income and the tax free structure of the association. The Board of Directors is accountable to the membership for overall leadership, policy direction and management of operations. They are elected by the regular members in good standing.

2. The officers of the Board consist of the President, Vice President, Vice President (Maintenance), Treasurer and Secretary. They are elected by the Board members. They are the primary representatives of the Association. Individually and collectively they provide leadership to the members of the Board in the implementation of corporate objectives and goals. In effect, they make up an Executive Committee responsible for performing administrative and executive work between Board meetings including the development of detailed strategy and planning of policies, procedures and operations. Meetings of this executive group may be formal or informal and may involve one or more officers under the general chairmanship of the President or his designated representative. Meetings may be in person or by telephone. Actions taken by the officers will be reported to the Board for information or appropriate Board action.