

Community Service Associates, Inc.
Minutes of December 10, 2008 Special Board Meeting

President Jinkins called the special December meeting of the CSA Board of Directors to order at 2:00 p.m., in the CSA Conference Room. The special Board meeting had been called to complete unfinished business from the November 25, 2008 meeting and address some new business items.

1. Roll Call

Present:	Pat Jinkins	Mark King	Steve Birdwell
	John McLaughlin	Kathy Carter	Bob Gossett
	Don Carlson	Norman Harberger	George Minot
	Bob Sowers	Cary Corbitt	Audrey King
	Bob Hattersley	Mike Hellman	Don Sigmon

Absent: Paul Aikman Mike Lawrence

Staff: Cary Kelley Jeanne Pearse

2. Nominating Committee Recommendations for the ARB Appointments

Mrs. King reported that the Nominating Committee now recommends that Mrs. Julie Nelander be appointed as a regular CSA representative on the ARB for a three year term ending December 31, 2011; and Mr. Robert Stichweh be appointed as an alternate ARB member for a one-year term ending December 31, 2009. Only the Class A members would be voting for the appointments. Following discussion, Mr. Carlson made a motion to appoint Mrs. Nelander and Mr. Stichweh for the terms and roles recommended by the Nominating Committee. The motion was seconded by Mr. Harberger and was passed with Mrs. Carter and Mr. Hellman abstaining.

3. Finance Committee Recommendations

Mr. Minot, Finance Committee Chairman, referred to recent Finance Committee recommendations concerning assessment practices that are not specifically spelled out in the Covenants. These include cases where the use of a parcel, or the nature of ownership does not fit the “residential” or “commercial” categories where assessments are defined by the Covenants. Some of the Committee’s recommendations had been acted on at the Board’s November 25, 2008 meeting. Today’s discussion deals with the rest of the recommendations.

Several Board members commented that the Covenants themselves should be amended at some point to better define assessment criteria for these special categories of property.

It was agreed, however, that the Board should establish well-defined and Board-approved assessment criteria even if they are not expressly covered by the Covenants.

The Board first discussed the assessment status of undeveloped residential properties donated to the Sea Pines Museum and Forest Preserve Foundation by previous owners who purchased them for the sole purpose of acquiring the property's density unit to use on another property. Board members agreed that the Sea Pines Museum and Forest Preserve Foundation, as a 501(c)(3) subsidiary of CSA, should not to be assessed for ownership of these or other properties.

It was further agreed that no assessments should apply to the following parcels:

- a. Parcel 15 – Owner: Sea Pines Montessori School, Inc.
- b. Parcel F1 – Owner: Hilton Head Island Recreation Center
- c. Parcel F2 – Owner: Sea Pines Montessori School, Inc.
This is an undeveloped parcel with no density unit.
- d. Parcel F2 – South Island Public Service District

The Board discussed the Sea Pines Service Area, which is owned by the SP Service Area Partnership. Following discussion, the Board concluded that Mr. Joe B. Fraser, a partner, should be contacted to locate documentation regarding the tax exempt status of this property. If there is not satisfactory documentation, however, an assessment is to be billed. Mr. Kelley is to explore this matter further with Mr. Fraser before taking the appropriate action based on these criteria.

Recommendation 6.

Mr. Minot pointed out certain entities that function as commercial businesses within Sea Pines pay assessments although they are not property owners (notably Shore Beach Services Inc. and Commander Zodiac, Inc. which utilize CSA Beach Trust property). CSA staff will attempt to find any agreements or other documentation that provide a basis for these assessments.

Recommendation 9.

Mr. Minot next brought up the Contribution Agreement between CSA, The Sea Pines Resort and the Harbour Town Merchants Association. Under this Agreement, CSA contributes 28.6% of the Performance Fee for Gregg Russell. The Finance Committee recommends re-negotiating the terms of this agreement so CSA's share does not exceed 15% of the total Performance Fee. Following discussion, Mr. Hattersley made a motion for CSA staff to request a meeting with Sea Pines Resort and the Harbour Town Merchants to renegotiate CSA's percentage of the Performance Fee. (The motion did not call for a specific target percentage) The motion was seconded by Mrs. King and was unanimously approved.

Recommendation 10.

The Finance Committee recommended that Sea Pines Resort and South Beach Swimming Pool Company provide statistics on the actual use of the pools by Sea Pines residents and renters under the terms of the Use and Access Agreements to help CSA determine if the annual payments made are equitable and of direct benefit to Sea Pines property owners. Discussion revealed that Sea Pines Resort does not regularly monitor the categories of users of the pools, and that it would be costly to collect and provide that data on a regular basis.

Recommendation 11.

The Finance Committee recommended that any agreements for services (e.g., maintenance, security or accounting, etc.) between CSA and closely-related parties and other third-parties should be put into written form and signed by all parties as soon as practical, but no later than March 1, 2009.

Recommendation 12.

The Finance Committee recommended that all relationships between CSA Directors or CSA employees with third-party entities doing business with CSA, outside of their CSA duties, be disclosed in written form to the Board. Examples would include serving as an employee of the Resort, a trustee of the Heritage Classic Foundation, or a Board member of the Country Club. Board members had no objection to this proposal. Mr. Minot will prepare a draft of a policy statement in this regard which will be approved by the Board and included in the Board policy book maintained in the CSA Administrative building.

4. Proposed CSA By-law Revisions

Mr. Hellman presented a preliminary draft of the CSA By-law changes. The Board suggested some changes and another draft will be distributed for review in a future meeting.

5. Recommendation for the 2009 CSA Board Officers

The CSA Board election results were as follows:

<u>CSA Board</u>	<u>ASPPPO Board</u>
Blaine Lotz	Blaine Lotz
Nikki McNamee	Nikki McNamee
Fred Wynn	George Minot

The Executive Committee, acting as the Nominating Committee, had met to develop a proposed slate of CSA officers for 2009. It was noted that several CSA Board members who could have run for another term had chosen not to do so. In addition, Mr. Lawrence, a Resort appointee, is resigning from the Board. This results in a greater-than-normal loss of experienced Board members.

The Executive Committee concluded that it would be desirable for the current officer team to remain in place for at least a few months, considering the status of current lawsuits and settlement negotiations now underway concerning one of the suits. It was noted that a temporary By-Law revision would be necessary to enable Mrs. Jinkins to extend her term on the Board and as Chairman. This would be an extraordinary action and should not be continued any longer than the circumstances require.

After discussion, Mr. Harberger made a motion to recommend that the Board approve the following arrangement:

- That the current officers be continued in office through March, 2009; with the possibility of a further extension, in no case to exceed an additional three months;
- That Chairman Jinkins shall not be a voting member during her extended term, since she will be an eighteenth member on a Board with only seventeen voting members;
- That the following slate be elected to serve as officers of CSA following the conclusion of the special arrangement:

President	John McLauchlin
Vice-President	Michael Hellman
Treasurer	George Minot
Secretary	Norman Harberger

- That a temporary By-Law amendment be drafted for approval by the Board, to enable the special arrangement.

The motion was seconded by Mr. Minot and was unanimously approved.

6. **Legal Issues**

At 3:15 p.m., Mr. Hellman made a motion to go into Executive Session to discuss legal issues. The motion was seconded by Mr. King and was unanimously passed.

7. **Adjournment**

The Executive Session came to an end, with no further business to conduct, the meeting adjourned at 4:30 p.m. The next scheduled meeting date is Thursday, January 8, 2009, at 11:30 a.m. in the Stewart Room at the Harbour Town Conference Center.

Respectfully submitted,

Norman Harberger
Secretary