

**DPOA Open Board Meeting
4 August 2009**

President Mario Feola called the meeting to order at 3:04 PM in the Diamondhead Country Club in accordance with the Bylaws Sections 5.5 and 5.7.

Board Members present: President Mario Feola, Vice President Jim Hunt, Secretary Nicole Boisdore', Treasurer Gordon Walker, Ex-officio Don Kraemer. Directors: Don Crosby, Durell Pellegrin, Bert Schnadelbach Gerald Ward, and John Yarbrough. Absent: Stewart Nutting – proxy to Crosby

Guests: General Manager John Enxing, Comptroller Pam Tomasovsky, and approximately 40 POA members.

Minutes of July 7th were unanimously approved by e-mail.

General Manager's Report: John Enxing

POA Corporation Gross Revenue for July 09

- Golf – (\$1447) worse than budget
- Country Club - (\$8507) worse than budget
- Recreation – (\$219) worse than budget
- Tennis – \$645 better than budget
- Marina – \$3005 better than budget
- Airport – (\$799) worse than budget
- **Total – (\$7322) worse than July 09 budget, down 4.7% from July 08.**

Country Club Banquets were down

Facilities Bulk Fuel – Request fuel pricing and compare with Waring Oil Eagle Energy – 1000g unleaded and diesel for facilities and security, and 2000g for marina fuel; Don't purchase enough to order directly from refinery, using Eagle as a jobber Waring Oil – Does not guarantee ethanol free gas, which can inhibit two-cycle equipment. Re-positioning and laying insulation in country club ceiling for energy efficiency.

Airport: Runway is striped and open

Golf Course Maintenance Priority is mowing grass at this point. Due to weather and equipment down time, we are behind mowing grass and our quality of cut is not where Jimmy would like it to be, however, working between weather issues and equipment breakdowns to get grass under control. Jimmy reports some disease issues on the Cardinal Course greens. This problem is mainly in shady areas, and is **helminthosporium leaf spot** (Fungi that grows in mild to wet climate). Jimmy treated last week however, as of now, our

spray rig is down and waiting parts. Raised mowing heights (.130 to .150), raising fertility levels and increasing the frequency of fungicide applications from a 14 -day interval to a 7-day interval until the weather breaks or fall approaches whichever occurs first. We aerified all greens late last month and will aerify again in late August.

Country Club: Dance floor is installed

Security: Issues are auto burglaries and theft – several burglary arrest have been made and security in conjunction with Hancock S/O are working very hard

Tennis World: 3 new family memberships for August. Fall Combo League starts in August – 8 teams are competing. August 21-23 Humidity Busters Tournament

Marketing: Updating the website with a bulletin board in the back office for board agendas and any news to bring to the community. Pursuing new business by contacting similar organizations like the arts and crafts show, for example, antique car show, etc. trying to establish more activity for business

Dredging: Scope of work is complete and bids have been mailed out to the contractors Anchor Services and Sales, Pink Marine Construction and P&S Marine

Financial Report: Pam Tomasovsky: the full financials follow the minutes

Old Business:

1. Pier House Audit: Treasurer Walker: at the board meeting on 7 July, Feola recommended that we have an interim audit and a final audit of the Pier House. Walker expressed concerned about whether we need both audits. The project has approximately a million dollar budget. Walker provided a listing of all the checks, **who** they were written to, and what they were written for, as well as the balances in the Pier House account. Total cost as of July 22 was \$841,829.42. \$100,000 of that cost was paid by the Silver Slipper with \$741,829.42 from insurance proceeds paid by the POA. This leaves the balance of insurance proceeds to complete the project at \$545,519.11. Walker, felt that it would be much more cost effective to have a full audit at the end of the construction process as opposed to spending \$2,000.00 to \$3,000.00 for an interim audit and an equal amount for a final audit. Walker recommended that have the final audit of the Pier House and that it be done by the Culumber firm which does our regular and 401k audits. The rate will range from \$90 to \$120 per hour for the time required. The Ship Store audit can be done through our regular auditing process. **Walker moved that the proposal be accepted as presented and that we have a post construction Pier House audit with a final report only. Feola Second.**

Motion passed unanimously.

2. Pier House Update: Vice President Hunt: Project is steadily moving forward with the interior finishes staring next week. Kitchen equipment is mostly installed and Silver Slipper is providing on site security from this month forward. We have pushed for better maintenance of the construction site and will be

vigilant that is to our standard. Hunt is still hoping for a Labor Day opening and the contractors are pushing as hard as they can. The bids are out on the Ship Store and should be in this week.

3. Violation fine amount ratification: Secretary Boisdore': The Board has looked at the fines that were raised in 2008. In May of this year, the Board moved to executive session to discuss the fine amounts and whether to reduce them or keep the same as well as legal issues surrounding them. The Board agreed to ratify their vote in an Open Board meeting. The following was recorded in executive session and confirmed today.

On the proposal to reduce the fines:

Yeas: Boisdore' Hunt, Nutting

Nays: Feola, Crosby Kraemer, Pellegrin, Schnadelbach, Walker, Ward, Yarbrough.

Motion failed 3-8. "New" 2008 fines stand.

New Business:

(Secretary's note: The new business handled by the board at this meeting has serious implications, both procedural and legal for the POA. The discussion required my full attention and participation. Therefore, in the interest of complete and accurate reporting, I appointed Betty Blakeney, our POA administrative assistant, as my agent, to assist me in the taking of the minutes as allowed by the bylaws. Blakeney took detailed notes and the following information under "new business" was transcribed from a live recording by Blakeney. It is ENTIRELY UNEDITED by myself save for inserting the attorney/firm names discussed in parentheses. Board actions were postponed so that the Board can hold several workshops before reporting on same at the 1 September open meeting. The Board thanks Ms. Blakeney for her diligence. Secretary Nicole Boisdore')

As transcribed by Blakeney:

New Business

Feola- I am going to jump to # 2 and this is adding the Vice President as a signer on the checking account of the Corporation. The motion was prepared and put in everybody's boxes, it simply says - The POA bylaws assigns the duties of the President to the Vice President in case of his absence. The duties include reviewing, signing checks for payment. At the present time the Vice President is not on the list of authorized persons to sign checks. The motion is to approve the Vice President to sign checks in the absence of the President. It's pretty straightforward. Second by Yarbrough.

The procedure is to have a discussion.

Durell - I think the President and Vice President ought to be able to sign.

Crosby - I would like to amend the motion. In most corporations across the country, the controller is the person who actually signs the checks for the company. Our controller is the person who has the financial responsibility, that is what we hire her for to do that. I would think that our controller here should have the responsibility and authority to sign anything up to a thousand dollars by herself.

Feola – She already does.

Crosby – Then if she does, why are we talking about double signatures?

Boisdore’ that is not the motion.

Feola – What double signatures?

Crosby – You were talking about putting double signatures on the checks right? If not what are we talking about.

Boisdore’ we are talking about putting Jim as a signer.

Feola – Let me read the Motion. In the absence of the President the Vice President assumes the duties and responsibilities, at the present time his name is not on the signature card at the bank. All I’m asking to do is put his name on the signature card at the bank.

Crosby – Right now our controller has the signature authority for up to a thousand dollars.

Feola – She has signature authority. Correct.

Crosby – Then we have the treasurer that has signature authority behind that, then you have signature authority behind that?

Feola – Correct.

Crosby – Now you want to add Jim as another signature?

Feola – Correct

Crosby – four people?

Kraemer – This is only if the President is out of town, the Vice President will sign.

Crosby – Who signs the checks now? Do you sign every check that goes out Mario?

Feola – Almost

Crosby – my position is we ought to have a controller that can sign checks up to a thousand dollars and beyond that then the next person, if we have to have a double signature; it ought to be the Treasurer. The Treasurer is the one responsible for the financials of the company. Then behind that if he is not there then we should have the President and Vice President. That’s my motion.

Nicole – Second.

Feola – Could you shorten it?

Crosby – The controller has signature authority up to a thousand dollars by herself, over a thousand dollars would require the Treasurer to sign, double signature he is the second signature required, then after that the President on and Jim as the Vice-President.

Kraemer – By order of the precedence that would not be a motion.

Crosby – make it a second motion then.

Boisdore’ – Vote on the first motion then let that be another motion.

Feola – the easiest way is to vote on the motion, which is pretty straightforward, before you bring up a motion that is actually independent. I’ll speak on the motion after is pass the mike.

Hunt – Would it be appropriate for Don to say he wants the Treasurer to be the one in your absence to sign checks. I guess that is where he is going with this. I really don’t have to sign.

Walker – I have no problem with Mr. Hunt being a signer.

Yarbrough – we have had a general discussion here, but it seems to me, I like the thought that Don is trying to take us to is it seems this is something that we may want to give a little thought to is limit the signing to certain amounts to certain positions, up to a certain amount to the Controller, a certain amount to the Treasurer, then the President and Vice President perhaps another amount. Most corporations have that.

Ward – Does anyone want the checkbook?

Kraemer – The Vice President acts when the President is not here so we have to have his name on the signature card.

Feola – this is the last comment – I would remind the board that we at one time before this Board took Office we did have check signing authority within the hand of the accounting department; we were embezzled by over \$50,000.00. That was with the dual signature on the

card, from what I understand the bank doesn't look at dual signatures, they look for a signature, so the dual signature would be a warm fuzzy for us, and I don't think it would stop anything. This Board did set up procedures for check signing, very specific signatures and the procedures we purchase orders, request, receiving tickets with separate signatures and General Manager approving it and that is the procedure that has been followed down the line. If the Board would like to change that, then certainly that is the Board prerogative, if it's working good, then there is the saying if it ain't broke don't fix it.

Schnadelbach – Who signs payroll checks?

Feola – Payroll checks, Pam do you want to address that?

Tomasovsky – The payroll checks are signed by the payroll company, they have a signature on record they just stamp on it.

Boisdore' – the motion is to simply add the Vice President to the signature card at Hancock Bank.

If you will pass me your cards.

Vote to add Vice President Hunt as a signer, is unanimous, I will draw up a Corporate Resolution and attest to it with the Corporate stamp, as I am tasked with.

Now does Crosby want to add to his motion?

Crosby – I would like to see us operate as corporations across the country do. How the finances are handled. In that regard, the motion would be that the controller has signature authority, and that authority would be up to a thousand dollars, if the check is over a thousand dollars then the officer of the corporation that is responsible for the money, that is the Treasurer as a double signature on that, and then in his absence the President and Vice President are signatures.

Durell – No comment.

Schnadelbach – I am not in favor with the dual signature authority. I have seen too many problems with it.

Boisdore' – I'm in favor of the motion because that is how most corporations operate, and I agree with the President that Hancock Bank does not review each check, due to our billing purposes at Hancock Bank. Dual signatures are a nice internal control. As I spoke with Hancock Bank this week, they recommended it as an internal control. Simply a checks and balance can't hurt. I'm in favor of the motion.

Hunt – I would just like to see if we can prepare and motion and have it at the next meeting to a point to discuss it. I have no problem with this.

Walker – I have no problem with the motion, the Treasurer does have a unique fiduciary responsibility.

Yarbrough – I think the President and Vice President should have the authority to sign checks as well as the Treasurer. The only problem I have is that it is the absence of the Treasurer that the President and Vice President have the authority to sign checks. Dual signatures in my opinion are worthwhile.

Ward – We change management around here like I change my socks, every two years we have a different board and a different cast of players. What I would suggest is that one signature be an elected officer and the other signature be someone on staff, like the comptroller, someone that has some continuity. Other wise you have this same ball game popping when this Board changes next June. This thing about it is there will be someone who was elected and someone who is on the staff. Would be a little be easier to go through to explain how this is and how it goes well.

Kraemer – I've reached the position of the historian, this issue was raised during Lloyd's administration and I think that at that time the single signature authority and I thought it was more than five thousand dollars and then you went to a dual signature. I think that in this day and age to say that Pam only has a thousand dollar is not very realistic, because certainly most

of the bills that come in are more than that. Find out what did the Board do two years ago or four years ago. Betty could find that out in probably 15 minutes.

Yarbrough – Would you accept a motion to table this to the next meeting so we can come up to some procedure?

Walker – second.

Feola – Very good and we have a second on it. We have a motion to table, and John I would like to compliment you on that because the information I have concerning the authority of the Treasurer certainly does not include dispensing of accounts. Not only that but under the Mississippi State Law a committee of the board may not authorize distributions. I've got it in front of me and that will be part of our discussion. So we got to be careful. We have a motion to table, we have a second, any discussion on that or is it pretty clear. No discussion.

Boisdore' – If you accepted to table this, would you set a due by date so it doesn't hang out there indefinitely. Because if it hangs out there indefinitely it is killing the motion, and I don't think that is anyone's intention.

Crosby agrees to the next meeting of the Open Board.

Feola – We will have a work shop in between. Do whatever is necessary to solve.

All in favor raise your hands. Unanimous.

Legal Opinions

1st item is Newton and Page Mannino invoices

Gordon read your motion and your discussion please.

Walker – What I would like to do is explain to the Board why as treasurer I stopped payment on a particular check. Check # 45069 I believe it was in accordance of my fiduciary responsibility to do so because I had questions about that particular invoice. I would say to everyone that this is not personal. The Treasurer has duties and the Treasurer can provide checks and balances on our financial process and should. If you read the Bylaws the Treasurer is the only person who is mentioned as handling monies in any way. If you read the Bylaws the Treasurer is the only person required by the Bylaws to be bonded. Basically the sequence of events required to stop a check follows. I went to the office on Thursday, July 23 which is normal to review the bills, I normally review the bills before they are paid or mailed. I was there around 11 o'clock looking through the bills, the invoices and paperwork. I found an invoice there I had questions about and the invoice was to the Newton Law Firm dated July 14th, I questioned the invoice because it was paid or it was proposed to be paid without any checks and balances. The person who chose the vendor, also placed the order for the work, supervised the work, directed the work, approved the invoice sent it to the financial office for the check and signed the check. Now we work real hard in our company to put in checks and balances throughout our company. And this is one particular instance where our checks and balances didn't work. I waited at the office, waiting on our President to return and left and came back. I came back about 3 different times and I was never able to see him, and that's fine. About 3:45 I went back down to the office and was simply going to take the check out of the mail, so it would not be mailed to the vendor. I learned then that the checks has already been mailed before I had approved them, or looked at them, before I had a chance to review them that morning about 10 o'clock. Again there were no checks and balances in place. I went to the bank about 4 o'clock and stopped the check. No fee was charged for that service, and the check was in the amount of \$6,776.95 for 22 ½ hours work, that is \$300.00 an hour. Later that night I sent an e-mail to the President and the comptroller and letting them know what I had done. I planned for this to be handled very quietly. I only informed the President and the Comptroller of my actions. The next morning our President involved our General Manager in the matter, then Saturday morning he mailed the entire board indicating I did not have authority to stop payment without his permission or permission of the Board. Why did I stop payment? As Treasurer I

have the fiduciary responsibility to protect the Board and the Membership of questionable expenses. It is easier not to pay a questionable bill than to make a payment and try to get the money back. Fiduciary responsibility requires the Treasurer to protect the Board and Membership.

Schnadelbach – Motion to move to executive session

Hunt - Second

Walker - There is no reason to go to Executive Session. The public has already heard through the internet.

Feola – It is my turn to speak now. At the beginning before any discussion I would have said yes let's go into Executive Session. Now there are allegations standing and the public has already heard them. They are wrong, a lot of the statements are wrong and I think the people that heard those statements should hear the reasons why. So I'm going to keep it in the open.

Hunt – the fact that it has been on the internet and it's airing our dirty laundry in public was a mistake in the first place and I think we ought to keep it way. It is two personal individual situations that we don't need to take it any further than we already have, it's further than it needs to be. I think it would be better in Executive Session than to air our dirty laundry in public.

Walker - I oppose the motion to do this in Executive Session. It is a public matter and it should be done in public. Again I believe that I was acting in my responsibility to safeguard your money. I think the Bylaws require that I do what I did, all I did was stop the check, pending Board approval to pay it. And I think everyone needs to understand why, and I disagree that any of the statements I made are not true.

Yarbrough – let's move to executive session to discuss this.

Ward – I think we should move it to executive session only because we have a procedural matter here; we have a decision to be made as to reporting relationships. It's not whether it's public or not it's got to be solved, we have to get along we have to act like a Board or we can hang up and have an election. There is one thing that I hate that is working with a volunteer board, you can't sanction it, and you can't put any disciplinary action to it. The best way to do it is to let Person A give his account to the Board, then let Person B give his report and then they reclude themselves and the Board makes a decision. That is why we are here to make decisions collectively. All I'm saying to you is I would take it to Executive Session

Kraemer – The decision here is to who has the authority to hire an attorney and that should be a motion brought before this Board that says X or Y or Z or the Board should be able to hire an attorney in matters involving the POA. I think these personal harangues are not doing any good. But to take it to Executive Session then the public didn't know what happens, other than to let them know and I don't know if we can do that. I don't know if we can go secret and then go public so I would just as soon leave it here.

Schnadelbach – Can I respond to that? We did so today we reported, we ratified what was done in executive session and brought back to the Board. We could do that again next month.

Walker – I really that the reasons why I stopped the payment was important for the public to know. If the reasons were wrong, that's great. But I had legitimate reasons for doing what I did. I hope that any other treasurer five years or 10 years from now would do the same thing. By maintaining checks and balances on your money.

Feola – We have a motion to go into executive session, and I've been accused of being a dictator by one or two members of the Board and I thank you for the compliment, it's very nice of you to say that. As the presiding officer I'm going to make the decision so no one has to take it to the next is me. We will continue this in open session so everyone can hear what is going on. Now I have to respond to the Treasurer's remarks.

Walker – The Treasurer is not finished.

Feola – we have already had dialog in front of the general public, it was very insulting and very wrong and I want it set straight. Mr. Treasurer Do you have a motion in all this?

Walker – Let me finish my report and I'll make a motion. I will continue to make this report. I have said that I stopped the check, and it was in the best interest of the POA and that I would do it again. I believe that my fiduciary responsibility required me to do that as it would require anyone else in the same position. It is not personal. The firm (Newton and Hoff) that was hired over the objection of two members of the architectural committee, if you look at their website, their specialty is corporate transactions, criminal tax controversy and estate planning. Some items on the bill I think were questionable. I would like to review some of those, there was a \$240.00 charge involving a telephone call to me by the attorney,(Newton) I received a call in the grocery store, told him I could not talk and ask him to call me back later. He said he would call be back in a couple of hours, I never heard from him. There is on the sixth day of July, there is a \$1,410.00 bill where the attorney is getting ready to come to Diamondhead the next day. The seventh of July, there is a \$1,080.00 bill for coming to the POA Board Meeting. He never made it here. So he gets paid \$2400.00 to get ready to come to a meeting, come to a meeting and it is on and on and on of this kind of thing. Now this attorney (Newton)was hired by the POA Board to do covenant research. He was hired at \$150.00 an hour; we paid \$300.00 an hour to do this opinion. And we paid him \$300.00 an hour to do the covenant work also, even though this Board only authorized \$150.00 an hour. Those are reasons why I stopped payment on the man's check. There were 22.5 hours for \$6,776.00. The other opinion (Page Mannino) we that we received was \$1,239.32 for 9.6 hours. According to the delegation of authority statement adopted by the Board, specific Board authority for non-budget expenditures is required. Therefore only the Board can approve an expenditure which exceeds the budgeted amount for such expenditures. In this case we paid \$300.00 an hour for an attorney who was only suppose to charge \$150.00 an hour and we did not have money in the budget to pay that. Therefore our legal budget was in the red by \$55,549.00 and when the legal budget is in the red only the board can authorize payment for expenditures. Only the Board, not the president, not the treasurer, only the Board. Now do I have the authority to stop a check, I think so, Hancock Bank thinks so, otherwise I couldn't have stopped it. I ask our previous Comptroller to stop a check over a year ago; the check was stopped with no fan fare. No fan fare what so ever in fact there was some agreement as to that having been done. Stopping checks is not unusual for the financial office, I'm sure checks get lost all the time, misplaced, or whatever. Bylaws specifically make the Treasurer responsible for the care and custody of all monies, funds, and securities of the Corporation. No other officer is specifically given responsibility for the financial area of the POA Operation. Therefore permission is not required from anyone to put a stop payment on check when the treasurer believes that it is in the best interest of the POA. The latest edition of the Bylaws reinforce the Treasurers authority and responsibility in other matters in Section 7.2 which specifically names the Treasurer as an officer to be bonded for the faithful performance of their duties. That is the only office that is specifically bonded for the faithful performance of duties. Although, this is something not required, our President requested the Treasurer get more involved in the accounting tasks. Specifically to monitor paid payables and to sign checks and to make a close examination of each check and verification for proper documentation. So I make no apologies for what I did, I'm sorry for it becoming public knowledge, I did not make it one, I notified our president our comptroller and no one else. But what I did I did to protect you as a dues payer of our community and I believe that the reasons for my having done it and the authority for having done it, are more than adequate in this report that I will share with the Board.

Feola – Has everyone spoken on this, does anyone have anything to say before I speak?

Crosby – Is there a motion out there somewhere?

*Walker – Asking the board to authorize the attorney’s bill (Newton) for the work that he has done that is for the amount of \$150.00 per hour for services that were approved by the Board.
Crosby – Second*

*Feola – I’m going to speak and Board members spare with me. # 1 here is the actual sequence of events. The Board each of you received in your mailboxes with cover letters, the explicit instructions given the attorney Paul Newton I even ask for a report to come back as soon as possible. There was not a question from any Board member or our treasurer. The report came back; it was published for all board members. The invoice came in, it was reviewed, yes I signed it, I approved it because it looked legitimate, yes I thought they were high, but it was a legitimate bill for a job we had ask for. The accounting department prepared a check; they do the checks and balances. It all went through the general manager; he looked at it and passed it through. The check came through and it was signed. The treasurer, without the approval of the President or the Board, very important, took it upon himself to go to Hancock Bank and put a stop payment on the check. Did the bank honor his request; yes they did because he as well as two others have a signature on a card. It not his authority to stop payments on checks, it is as simple as that. The authority of the treasurer is spelled out in Section 4.6 of the bylaws. Those of you that want to read it, and can read it in depth, will not find a single word about the disbursing of funds under the authority, much less anything that says stopping payment on a check gone through the procedure that this board had approved. Just for your information the firm of Newton and Hoff are doing the covenant renewals, they have extensive knowledge. And at one time they were a part of very firm that we are calling the Page Mannino Group. You see Mr. Newton was here for the Board Meeting; regretfully we had a sign up front that said we had a board meeting in the front room. He spent most of this time in there waiting for us, he did come he was here, he did catch the very end of the meeting. Now back to the treasurer and his duties, I’ve said it and I say it very boldly; he has no authority in the dispensing of funds, no authority to override the board or any member of the board without prior board approval. Which any of us can request. I do have some words; I’m going to read them exactly as it is written by a very fine attorney. The powers of a treasurer are or seem to be custodial in part and it is his duty to keep the books, render the statements, and render the borrowing info. I see nothing giving the Treasurer control of paying accounts. Now we can spend a lot of money going to another attorney for an opinion. I wouldn’t want to do that; I’d like to see this resolved, I do not want the treasurer going against the Board when the board has a procedure. I am requesting only, only that the Newton invoice be paid. Yes it’s high, I don’t like it. Now we can address the Page or Pepper Peterson invoice. Just as the treasurer said you should have approval. And as I told you we did notify, I did notify every member of the board. The treasurer without any prior approval of the board employed a legal firm for an opinion that was already in the work by the president. And he knew it at the time. He should have been well aware of this fact, had he gotten his mailbox notification. The treasurer was without authority to hire a law firm without authority. The law firm (Page Mannino) should have known that, if they are that sharp they should have known that. And they should look to him for payment. This board should not authorize payment. That would be a gross error. Back to Section 4.6 the duties of the treasurer in you Bylaws; it describes the duties of the treasurer. There is nothing in it authorizing the treasurer to override the board or the president or the system set up. I am saying that invoice, even though it’s 12 or 13 hundred dollars is unauthorized. Its POA money and it need not be paid. I don’t have time to explain that to you, you may want to get a legal opinion; the key point is the treasurer is the custodial of the money, primary deposits, not the final word to override the board and their president’s decisions.
Kraemer – Madam Secretary what is the motion now?*

Boisdore' – The motion is to approve payment of both invoices, but to reduce Newton to \$150.00 as we approved that rate. Seconded by Don Crosby.

Kraemer – I have a crowd over here, as I do have a law degree, and I believe that I had certain rights when I was president, I believe that this whole matter was handled poorly. I believe we all believe it was handled poorly. I would be prepared to make a motion for the next meeting to solidify how we hiring attorneys because there are a couple other issues here that could be raised with regard to the Jacobs situation. I think that the attorney (Newton) that was hired by the president should have been given a maximum, or either hourly rate or a maximum amount. Give me an opinion but don't let it be over a certain amount. I don't think the treasurer has the authority without the board to seek another opinion.

Ward – I agree with you Don. I certainly wish this did not happen, I think we need much more clarification on it. The attorneys and other kind of expenditures keep floating to the top here. These procedures and policies here set into place and I think it has to happen before the next board meeting. We can't float along like this any more.

Yarbrough – the procedure we followed during my tenure on the board has been with the president hiring attorneys, when we needed legal opinions. He did it with the knowledge of the board, we were told about it, we were told about it in this case. The president followed the procedure, which has been accepted for quite a few years, so that part in the procedure was followed. There certainly no limit put on the hourly rate that Mr. Newton could charge, this was a separate transaction, and I don't know if the question of the dollar was there. I'd like to know what you think about a \$150.00 opinion over a \$300.00 opinion. The treasurer has absolutely no authority to go get an opinion with out the knowledge of the board. He does have the authority to get information relating to his job, expenses in this case, this opinion transcended that it was much broader than that. It was about whether or not the POA had the obligation to dredge those canals; it was far outside the treasurer's opinion or his authority. I oppose this motion.

Walker – John just a couple of comments, care and custody are used in the first sentence of the treasurer's duties and I think if you look up what those words mean in a legal sense is much more than they are being given credit for. Care and custody of funds as to the treasurer's authority to request an opinion. Given the way that this group, this organization has operated, even if someone proposing to spend dollars illegally or proposing not to spend dollars that this board has legally appropriated. And that does come in the treasurer's purview of the treasurer seeking authority for that particular matter. I went into this knowing that I might well have to pay for the opinion myself. I went into this with my eyes wide open, but this board made its decision in regard to the canal dredging cleaning based on the opinion (Page Mannino) I had given them. Because the opinion from Mr. Newton did not come forward until about a month later. So we relied on that opinion (Page Mannino) in the decision making. Mr. Casano has an opinion that I did not bring in that the treasurer does not have the authority to request an opinion, and that is Mr. Casano opinions. He also states that possibly the president doesn't have the authority to request an opinion without board approval. And that is from our POA attorney Mr. Casano. I would say that it is far from settled that the President of the Organization has a right to employ attorneys at will as said in the Compensation in duties without Board approval. Particularly the amount that was already set by the Board and when the Bylaws clearly say, not the Bylaws, the Policies and Procedures clearly say that if the money is not in the Budget it cannot be done without Board approval, prior approval.

Hunt – First of all I'd like to say that I would be in favor of Don Kraemer working on a motion for the next meeting to approve some sort of standards and guidelines for hiring attorneys and in what why. Because we hire attorneys an awful lot. The employees use an attorney on a daily basis for real estate questions and things, so this clarification needs to be done. I have my

reasons for wanting it to be in the executive session. I don't like what we are doing here. I've spent a lot of time with this Board, and this is fractured this group, this is unnecessary.

Feola - The motions are kind of convoluting, because they are opposing other. I think we are going to have to separate those. But I would like to address since we are all taking liberties in explaining this. Don, I agree with you very very much. We need a procedure for retaining attorneys. I've got some notes I have took down because this has disturbed me very much. Much more than I can say. Let me address retaining attorneys and it's related to what we're doing here. I'm going to readdress it that it's pertinent to the decision, so I'm going to address it. I don't think, there are very few people on the Board realize the number of contacts that are made with attorneys on a seven day basis, a work week. I've put down some examples for the Board. Think about and what you want your President to do, in the last seven days there were 15 requests to quite titles, to clear titles. There was one possible major lawsuit; there were questions with attorneys on Covenant Renewal, where the young lady Veronica Varnadore handles real estate questions. According to her, she questions the attorney at 2-3 times a day. There are on going contacts in the accounting department with an attorney. We receive letters threatening lawsuits; those have to be handed over to attorneys. It's my understanding, and maybe I have it wrong that as President you are giving me the authority to handle a lot of those. And I report to all of you religiously. I hide nothing, I give you everything. And I will not do anything without your approval. To restrict the ability of the President to contact an attorney would be a very very serious error. I'll address that further, I wanted to speak on that. Now as far as the motions I think they have to be separated and maybe some body that is familiar with doing this. I would recommend that we have a motion to either A. to pay Newton, B. to not pay Newton. A motion to A. pay Page Mannino, B. to not pay Page Mannino.

Walker - My motion was to pay

Feola - I understand your motion.

Walker - That is the motion, and I did have a second.

Feola - That was your motion, and you did have a second. I'm recommending the motion be separated.

Walker - I don't see how you can separate that one.

Feola - Would anyone like to amend the motion? Or you want to vote on it the way it is?

Boisdore' - It is to pay both invoices but

Kraemer - I would

Boisdore' - Think side of the table should be able to speak on it.

Schnadelbach - Are you going to speak on it?

Boisdore' - Yes I am. First I would like to let you know that this whole situation has made me ill. It is very unprofessional and embarrassing. That being said, in June when the Architectural Committee met, and a report was presented on the dredging of canals.

Unfortunately the Architectural committee did not agree on where to proceed therefore and two members of the Architectural Committee, myself and Jim Hunt disagreed with calling Paul Newton. Because we thought that Page Mannino had given us a whole lot of research regarding the issue. And we felt they would definitely issue a non-biased opinion, not saying that we thought that Newton wouldn't. But we were very pleased with their (Page Mannino) work and the rates that they charged us. Which is \$150.00 an hour, depending on which attorney; some of their attorneys are \$200.00 an hour. We had a retainer letter from them spelling out their rates. On June 19th our President requested the opinion, he told Jim and I that he requested the (Newton) opinion, and we ask if Jim could go the meeting with him to talk to Mr. Newton, apparently Mr. Hunt wasn't able or aware of when that meeting was or where that meeting was, you would have to speak to them. But, although the request was made on the 19th, the Board did not receive the letter about the opinion until the first week of July. The Board was not notified about the (Newton) opinion on the day the opinion was requested, so I

don't agree with the fact that the Board approved it when requested. The Board didn't approve either of them; I think we totally need to clarify how we are going to do that. I don't think we have to go to the extreme that on a day-to-day business basis normally conducting title searches, so on and so forth, that the President can't call an attorney. But I think in extraordinary circumstances like we incurred in this issue, that it should come to the Board. My problem with this Newton invoice, and the reason that I support the motion, I think we have to pay both these law firms because they were both asked by officers of the Corporation, to render opinions. Back in October of 2008, this Board authorized a \$150.00 rate for Mr. Newton to research the Covenants and meeting when he was asked about the opinion was an update on the Covenants. So I don't think he is authorized to charge us \$300.00 and I think the Board should stand by what we decided in October \$150.00 an hour. So it is an unfortunate circumstance, I think we need to pay for what we did and clarify the way we are going to do it in the future. We don't need \$300.00 legal opinions, it's arguable if that opinion is even qualified based on the man's area of expertise. (Newton). In my opinion, thank you. Schnadelbach – I think this was handled very badly, the sniping of board members who work with one another or against one another I think does not get us anywhere towards resolving issues. I think that the Treasurer did what he did; he acted as he felt he should act. I think that action should have been enough to bring this invoice or these invoices before the Board for their review before they were ever paid. So I don't think either one of the parties involved here are innocent. I do feel that the invoice of Newton is very very hard for an opinion that was non-committable. It did not answer any of the issues that we wanted answered. I think the reason for going to a second attorney (Page Mannino) was for that purpose only, so I'm in favor of paying the two invoices, I would like to see us resolve the issues between the parties and let this be forgotten and move on.

Crosby – On this end of the table, everything has already been said by now. But the only thing I've got a question on is the Newton invoice, is this all we are going to see, or is there more to come?

Feola – Total

Crosby – This is the total invoice. One of the things that I, again I'm like the rest of the group here I think this is an unfortunate incident. I think we have two honorable people and I think they both did what they thought was the right thing to do. Of Course things got a little out of hand. I think we have again, we are committed to, we have two officers requesting these, I don't know how we can get around not paying. We need to again have a lot of reform here as to how choose attorneys, one thing that runs through my head is, did we get a retaining letter from Newton at all, or do you know? Did we get a retaining letter from him? I don't think we got one initially when we did the, when we ask for his advice on the Covenants. That is something we need to get, if we are going to use this guy, (Newton), continue to use this guy for the Covenants, we certainly need to get that. If it's going to be \$300.00 we need to cut him and go. That's my opinion. One other thing, I think that Mario you mentioned that you didn't think Gordon had the authority to disburse funds I think that if you read the first sentence, under Treasurer, to have the care and custody of all monies, I think that pretty much sums it up. So I don't know if I can go with that argument there. But in spite of I believe we are going to have to pay these things. And I have Stewart's proxy, and Stewart says pay him and cut him.

Pellegrin – I asked a little while ago if there was an attorney or a judge in the chamber, I think we are going to need a judge. It just goes to show you some of the setbacks we have when we try to do things in Executive Session, that's why Executive Session takes four hours and the Board Meeting takes ten minutes. If there was a motion on the table now, would you read the motion to me again, I forgot it, please.

Boisdore' – The motion is to pay both invoices and to ask Mr. Newton to reduce his to \$150.00 an hour, but to pay him, to pay him \$150.00.

Pellegrin - To pay him. Ya'll understand what the duties of the Treasurer, is and what the duties of the Vice President is and President?

Kraemer - I would like to make a motion to table.

Bert - Second

Feola - We have a motion, a second and we've had a lot of discussion, I can't believe any one else would want to discuss this.

Kraemer - Motion on the table is not discussable.

Feola - all in favor to table and let Don go to work on this.

Boisdore' - was that unanimous? Can I have a voice vote? I need to write this down. All in favor, aye. Stewart said aye. All oppose? Nicole and Walker oppose. Motion passed 9-2.

Feola - Don I would like to kill a couple of birds with one stone. If Gordon will agree on item B. The procedures for retaining attorneys. Would you like to also take that task on and make a presentation on that? Gordon does have it on the Agenda, but you have a lot of experience.

Kraemer - I would like to make a motion, after I get input from you.

Boisdore' - Wait, what is the motion?

Feola - to allow Don to look at it.

Walker - The motion that I wanted to present Don was that only the Board approve the retaining of attorneys for any reason, attorneys would be chosen by their expertise in the given area or areas. Retention letters would be issued and approved by the Board, the work to be done, the hourly rate to be charged will be included in the retention letter and no legal opinion will be sought, until such time as the written request has been approved by the Board. That's what I want to propose, I will withdraw that and defer to you.

Feola - Moving right along.

Boisdore' - I'm sorry the motion was withdrawn. Tabled until the next meeting, and in between that, you will talk with us and we will have a work shop just like we are going to do for the issue about the checking account.

Kraemer - I'm going to mediate

Boisdore' - Now do we pay these two, or you going to take care of that.

Kraemer - I intend to solve of that problem

Boisdore' - Are you going to mediate between our Board members or the attorneys?

Feola - All the above.

Kraemer - yes

Feola - All the above

Kraemer - All the above.

Boisdore' - So will the Board be notified once the decision is done, before the checks are issued?

Feola - The Board will have to vote on that.

Kraemer - I can do both, I can resolve that with my mediation skills

Boisdore' - Okay.

Feola - Now you've got one Durell.

Pellegrin - Rent a Judge.

Boisdore' - Rent a judge

Feola - No exceptions, you've got it Don. Thank you very nice. Jerry you want to take the next potato?

Boisdore' - I thought we did already.

Ward - We still have time.

Feola - We still have time.

Boisdore' - We've already put that in the report Don is going to put together. And then we are supposed to do a workshop regarding the report of officers.

Ward - I'm not sure where we are going to go with all this.

Feola - Why don't we just remove that # 3?

Ward - yes

Feola - Then you are comfortable with it. We'll do a workshop and then give a presentation to the Board.

Ward - Okay

Feola - That was a marathon session it was interesting, I'm proud it all came up. Probably end up getting legal opinions

Schnadelbach - Hope not.

Feola - I was just joking.

Schnadelbach - I have a Motion to adjourn.

Feola - We have a motion to adjourn. Do I hear a second?

Boisdore' - Second

Feola - all in favor,

Board - ayes

Meeting adjourned at 4:50 p.m.

End of Blakeney transcription.

At 5:00 PM the board went into Executive Session.

At 5:25 PM the board came out of Executive Session.

Respectfully Submitted,

Nicole L. Boisdore'

Secretary