

Beau Chene Homeowners Association, Inc.
Board of Directors Meeting
July 19, 2013
8:30 a.m.
Beau Chene Country Club

Call to Order

President Gareth Reardon called the meeting to order.

Roll Call

Board members present were: Paul Angelle, Susan Bonnett, Jay Capouch, Kelly Commander, Chris Inman (non-voting member), Michael Kazmierzak, David Pesses, Lance Rase, Gareth Reardon, Doug Tate, Chuck Turner and Jay Whealdon. Members Susan Bonnett and David Pesses were out of town. Staff members Scott Day (CAO), Bill Maier, and David Vinson were present also.

Mr. Reardon said he wanted to start with a matter outside the printed agenda, noting that the Board of Directors had been served (in a law suit) by Mr. Bob Reich. He noted the June invoice from The Earnest Corporation (TEC) had not been paid yet; his instruction was not to reimburse any more legal fees until the Board discussed the matter but the entire bill had not been paid. Mr. Inman said it was about \$64,000, including bonuses paid. Treasurer Jay Capouch said the bill was actually about \$62,000 including legal fees of \$1,700. Mr. Reardon said about 2 meetings prior there was discussion whether not deciding TEC was a friend of foe, and it was decided just to see what happened. Ms. Commander agreed. Mr. Reardon said the suit was turned over to TEC's and the BCHOA's insurers, and they decided to hire 1 lawyer; the By-Laws said it was the responsibility of the Board to approve the payment of the legal fees. He said there is a \$25,000 deductible (BCHOA policy) and last month TEC's lawyer was paid for.

Mr. Inman said Mr. Reich was a hyper aggressive lawyer giving a short deadline; he had received a demand letter from Mr. Reich prior to the time the insurers had decided who would defend or how to defend; so TEC had to defend using another lawyer; his insurance company had gotten involved so the full amount of the BCHOA policy deductible wasn't involved; but it would be involved in the future if the BCHOA were sued, which he expected was next; there is no demand for damages – just allegations of misconduct without factual basis; the (insurance) lawyer had answered Mr. Reich's pleading and a hearing was next Thursday; Mr. Reich is saying he will amend his pleadings; the insurers have agreed that since TEC had a much smaller deductible and after bringing it into play first, the insurers will split the cost; this week he was told the BCHOA deductible was \$15,000; there are different sections of the policies with different deductibles that might apply; at present, the TEC insurer says once the \$5,000 deductible is met, the next \$10,000 will be covered by the BCHOA policy; he felt the insurer would count towards the deductible the bills for the initial lawyer, Ryan Luminais, TEC used

prior to the time the insurer lawyer was chosen; he said Mr. Luminais said it was fairly common for people to have to hire a lawyer to defend prior to the insurer companies choosing a lawyer.

Mr. Capouch observed the management contract only said the Managing Agent was reimbursed for all the costs of doing business; whereas the Reich lawsuit is going after the Association documents, not TEC documents; therefore, he contended that this was a legitimate reimbursement of legal expense as this involved Association documents. Ms. Commander said she didn't like discussing the matter with no attorney present and she wanted that put into the minutes. Mr. Reardon said it seemed Ms. Commander wielded a lot of influence over Mr. Robichaux, and as a result he offered a lot of personal opinions. Ms. Commander said via email she had said Mr. Reardon needed to okay Mr. Robichaux's giving an opinion; she said Mr. Robichaux would do this for free. Mr. Kazmierzak said it was highly inappropriate for a member to speak directly to the attorney without anyone's knowledge, which was why he asked for the emails. Ms. Commander said she didn't speak directly to him. Mr. Kazmierzak said she did. Mr. Commander said she had "some current of her own self in a lot of things that happened on this Board", and observed as Mr. Inman had pointed out the Board could be sued for their actions. Mr. Capouch asked Ms. Commander if she had any association with Mr. Reich. Ms. Commander replied he represented the insurance company who was her company's insurer. Mr. Capouch asked if Ms. Commander had discussed any of this information with Mr. Reich. Ms. Commander replied she had asked Mr. Reich where he thought this was going. Mr. Capouch observed Ms. Commander had written her own letter requesting documents and she was given access to those documents; he said it seemed coincidental to him that 3 of the items she requested in her letter were almost identical to 3 of the items in Mr. Reich's letter. Ms. Commander said this was a coincidence. Mr. Capouch asked if they were worded the same. Ms. Commander said she didn't know about that. Mr. Inman said Ms. Commander was copied by Mr. Reich when the lawsuit was submitted to the court – the only person in the room that was copied. Ms. Commander said she knew it was being filed. Mr. Inman said Ms. Commander got a copy of the suit. Ms. Commander acknowledged that, noting she could have gone to the courthouse to get a copy. Mr. Reardon said he believed Ms. Commander contributed to, publicly supported Mr. Reich's suit, and half the things he wanted were in her request. Ms. Commander said she was for the suit but hadn't contributed in any way; he was a good attorney, a grown man, and had issues with TEC in the past. Mr. Reardon said so somehow Mr. Reich got a copy of Ms. Commander's request and made it part of his request. Ms. Commander said he does know that it is information she had not been able to get and he made that part of his request. Mr. Reardon asked what her position was since she had an opportunity to look at what she needed. Ms. Commander said she was on hold. Mr. Turner asking if the information had gone to Mr. Reich. Ms. Commander said no. Mr. Reardon said after the urgency to look at it she was now sitting on it. Ms. Commander said she was thinking about it. Mr. Capouch asked the purpose of her request. Ms. Commander said she had long asked how the financials were put together and what was in them, and sometimes he could not give an explanation; the Board had an obligation not to approve a financial statement which in his words was covered by the audit and she knew an audit only said an invoice existed – doesn't say if it's right. Mr. Capouch said he understood but in her letter she represented herself as a homeowner, not a Board member; and the By-Laws say a homeowner is entitled to information as represented by their particular interest; he asked how her need to see invoices, timecards, and other means of payment related to managing the water system was in her interest as a homeowner. Ms. Commander said she paid her dues and have a right to know how they pay

my bills. Mr. Capouch replied there are By-Laws, a Board of Directors, systems in place, a staff. Ms. Commander said she wanted to know how invoices were approved, since she was never given the information as a Board member, the By-Laws allow for a homeowner to request information. Mr. Capouch asked if she had any reason to believe the financial information was false in any manner. Ms. Commander said she had concerns. Mr. Capouch said did she have evidence payments were made that shouldn't have been made. Ms. Commander said potentially. Mr. Capouch said what are they? Mr. Turner said Ms. Commander was not answering the question, observing she was anxious to get the information but time was no longer an issue; it didn't make sense. Ms. Commander said she wasn't a Beau Chene housewife and had a business to run; she had looked at it, hadn't studied it, and had other things on her plate. Mr. Capouch said if every homeowner had the same perspective to come in to see the records to see if their money was being handled correctly there would be chaos. Ms. Commander said every homeowner doesn't know what happens on this Board. Mr. Capouch said as a homeowner she could see that's why there is a Board, By-Laws and staff.

Mr. Whealdon asked if the Board had an attorney representing it as to the lawsuit. Mr. Inman said no. Mr. Whealdon felt an independent attorney was needed to advise the Board as this was serious and the Board hadn't been through this before. Mr. Inman said Mr. Reich had sued the Board before in 1996. Ms. Bonnett said at the last meeting of the former Board Mr. Reardon asked if the Board needed to decide if it was for or against TEC; the Board determined it didn't know enough and hadn't been brought in. Mr. Reardon said also at that point it wasn't known if the HOA insurance was going to pay the bills for TEC; but now the Association is part of it; the By-Laws said the Association can't pay unless the Board agrees to it; he observed the Board attorney was Ted Dittmer, and he didn't recall the Board deciding not to talk to Mr. Dittmer and only to Mr. Robichaux; it seemed to him that in the conversations he had with Mr. Robichaux the level had become personal and the reason he was not here as he had a mock trial today; he thought Mr. Robichaux was a marvelous attorney, but was argumentative; Mr. Reardon said he disagreed with Mr. Robichaux's recommendation that the Board argue the definition of the word "agent" because the Association indemnifies the agent; the point was not to use the word agent as a defense because the contract is with the "Managing Agent" - that's splitting hairs; Mr. Reardon asked if Mr. Robichaux was the right guy, especially as Ms. Commander has too much interaction with him because the conversations off the record - the influence from Ms. Commander on Mr. Robichaux or vice-versa. Ms. Commander said she was wise enough to take the advice of her attorney but the Board has not been; she said Mr. Robichaux was not her attorney and he has not been ever. Mr. Inman said there was a law suit where Mr. Robichaux represented Ms. Commander's son after he hit a pallet. Ms. Commander said she had forgotten about that and thanked Mr. Inman for doing the research on that. Ms. Bonnett said as chair of the Governance Committee she months ago had asked Mr. Dittmer why the Board had lost him; Mr. Dittmer had replied it had always been the firm, not him; he was in the middle of a significant trial; and it was at the height of contract negotiations, Mr. Robichaux's specialty, and he recommended Mr. Robichaux see the Board through the contract negotiations phase; but Mr. Dittmer said he was still the primary attorney. Mr. Inman said Ms. Bonnett may recall Mr. Dittmer was criticized for representing TEC, and maybe it was time because all of the intertwining to get a new law firm. Ms. Bonnett felt the attorney should not be a homeowner or have a personal interest; or be a volunteer. Mr. Turner said there should be no volunteers. Ms. Bonnett agreed.

Mr. Kazmierzak moved, seconded by Mr. Capouch, to terminate whatever agreement there was with the current law firm and seek another law firm. Mr. Reardon felt this was going too far, given the history. Mr. Rase suggested there be more than one option, perhaps picking 2 firms with different specialties. Mr. Kazmierzak suggested insuring no Board member has any tie personally or professionally at all. Mr. Day said this was in the By-Laws. Mr. Capouch said only that it had to be disclosed. Mr. Whealdon said such a lawyer would be hard to find. Ms. Commander said people knew Mr. Robichaux was her friend long before she was on the Board and that she knew Mr. Dittmer. Mr. Whealdon asked the process. Mr. Reardon said the Board needed to decide who was participating at what level with the attorney and keep his advice at a professional level. Mr. Whealdon asked what to do if the motion passed and it was premature. Mr. Reardon agreed, saying the problem was how to vet attorneys, educating them as to history. Ms. Bonnett said there may be 2 or 3 with different specialties. Mr. Reardon said the Board needed someone who knows it all. Ms. Bonnett asked if an attorney had always been at meetings, Mr. Inman said no. Ms. Bonnett said it was wasteful, although now and then there were issues requiring legal opinions. Mr. Reardon agreed they should be invited if there was an issue about which they were needed which couldn't be brought to them. Ms. Bonnett said the last Board by motion established the policy that the President was the only one interacting with the attorney because otherwise the billable hours weren't controlled and this policy should continue. Mr. Reardon asked for a vote on the proposed motion to terminate the current law firm and seek another. The motion carried with 8-1-1, with 8 for, Ms. Commander against, Ms. Bonnett and Mr. Reardon not voting. Ms. Commander she voted against based on the relationship with the Board, because she felt it would be hard for the Board to find someone without issues. Ms. Bonnett said she was for the motion but while searching for a new attorney she was concerned about having no attorney, and suggested still using Mr. Dittmer or Mr. Robichaux. Mr. Turner suggested Mr. Dittmer.

Mr. Reardon asked who would find another attorney. Ms. Bonnett said she would work with Mr. Day to get 4 or 5 recommendations, but she wanted some direction. It was agreed to send recommendations to Ms. Bonnett. Discussion ensued as to whether it should be a resident or not. Mr. Inman said the Board was trying to find impartial legal advice and a resident may have an ax to grind; also, he agreed with Mr. Whealdon that there should be an attorney dealing with the Reich law suit; saying he would provide the name of the claims adjuster to be contacted regarding what attorney would be used if the Board were sued and that attorney could be used. Ms. Bonnett said she would bring recommendations received to the Board; she agreed it should be a non-resident as any resident would have an opinion. Mr. Reardon said Mr. Reich wanted an answer by July 22. Mr. Reardon said he would respond they hadn't yet gotten counsel as he just received Mr. Reich's letter yesterday; the defense from the insurance company said to Mr. Reich said you have gone about this the wrong way, so the Association was added to the suit; Mr. Reich's claim was the Association failed to properly oversee the activities of TEC, causing and continuing to cause economic damage to the Association; if the Association is interesting in avoiding litigation, it should make arrangements to produce the required records or otherwise there will be no choice to proceed accordingly, with an answer needed by July 2. Mr. Kazmierzak said the Association was really already a party; the suit seemed frivolous – not based on fact. Mr. Reardon said there was no claim for damage, it's looking for information; he said that Ms. Commander had looked at information and if she can't satisfy Mr. Reich, then

things were moving towards a suit. Ms. Commander said she hadn't shared the information she got. Ms. Bonnett said she felt very strongly the Association was involved whether it wanted to be or not because TEC was the managing agent, authorized to do work; whether the Board like it or not, the Association has been a party and continues to pay TEC, signing TEC invoices; whether the Board liked it or not TEC represented the Association, TEC and this Association were a team and there was a signed contract. Ms. Commander said there was a simple solution – provide the information Mr. Reich asked for. Mr. Reardon said everybody needed to get a copy of the suit; he said there were 8 categories of information Mr. Reich was looking for; basically, he wants to show up, have access to the information; look at and leave. Mr. Inman said Ms. Commander's was defined, whereas he wants it from 1991 forward. Ms. Commander suggested giving Mr. Reich parameters and see if that satisfies him; she said there was an obligation to show the books as a corporation. Mr. Capouch said no, the person requesting the information must constitute 5% interest in the Association – Section 103. Ms. Commander said that the Board was drawing itself into litigation by not reaching out and working with him.

Mr. Capouch said Ms. Commander seemed to have a common interest in the same material Mr. Reich was- he was alleging the Board failed to perform duties and was looking for information to support that. Mr. Capouch said Ms. Commander had the same issues and asked her if she did not see that as a conflict of her judiciary responsibilities as a Board member, where there is now litigation and she had the same personal interest; as a fiduciary one can not put their own interest ahead of the Association, in commonality with a party suing the Association – did Ms. Commander have a problem with her fiduciary duties. Ms. Commander said absolutely not. Ms. Commander said she didn't have to explain herself just like he didn't have to explain himself to her; that if he had an issue with her to make it clear. Mr. Capouch said that was his issue. Ms. Commander said she answered his question – she said no. Mr. Kazmierzak said he was a new member but from everything he had heard, Ms. Commander had a conflict of interest and should recuse herself as she was obviously aligned with the same principles as the lawsuit. He observed Ms. Commander said she was waiting to see what she would do. Ms. Commander said she was not doing anything. Mr. Kazmierzak asked if she might file her own lawsuit eventually. Ms. Commander said she didn't know. Mr. Kazmierzak said that was why she should recuse herself. Ms. Bonnett said there was a problem with governance – the Board operates as a cooperative board and the way it is organized, it is not a representative body; she said, not as an accusation, that Ms. Commander saw herself as an elected representative, but it fundamentally didn't work; the Board was elected but had the responsibility of a corporate fiduciary body; as of the vote 20 minutes ago, the Board is a party to the lawsuit, getting its own attorney – that includes Ms. Commander. Ms. Commander said she can't understand that. Ms. Bonnett said one can't be on both sides. Ms. Commander said she suggested a way not to be drawn into the litigation. Ms. Bonnett said we are in it. Ms. Commander said not yet, that the only suit was against TEC; he can amend his suit if the Board doesn't provide information. Mr. Reardon said that what Mr. Reich was saying with the letter sent last night – accusing the Board and all previous Boards of not doing their job; and the Board was willing to avoid litigation, it should demand that TEC show him our records; he can't demand the Association show him TEC's own records – which is part of his suit v. TEC; the Association could do that. Mr. Reardon said there was a \$1,700 reimbursement for legal fees included in the \$62,000 invoice not paid, observing that according to the By-Laws expenses incurred in defending such action or suit proceeding may be paid by that Association in advance of the final disposition thereof, if authorized by the

Board of Directors in a majority quorum – non-parties. He observed Mr. Robichaux said the Board needed to ratify TEC's unilateral payment to its counsel; and asked if someone wanted to authorize that payment. Mr. Turner, seconded by Mr. Augelle, recommended the bill be paid. Mr. Reardon asked where it is stated the Board needed to do that. Mr. Capouch said in the management contract. Mr. Reardon said in the management contract TEC is doing business for the Board. He asked for a vote on the motion, 9 voted for, Ms. Commander abstained, and Mr. Reardon did not vote.

Mr. Reardon wanted all to get a copy of the suit and asked Mr. Maier to get a copy and send it out along with the Directors and Officers policy. Ms. Bonnett suggested contacting Travelers Insurance, the D & O Carrier, who will pick an attorney. Mr. Reardon said he would acknowledge receipt of Mr. Reich's letter and tell him more time was needed to respond, suggesting by July 22. Ms. Bonnett said the Board should decide it is a party and get the Travelers attorney to make recommendations as to what to do before decisions are made. Mr. Inman said based on the letter he felt Travelers would move immediately to appoint an attorney. It was agreed Mr. Day would talk to the attorney. Ms. Bonnett moved, seconded by Mr. Capouch, that the Board proceed as though it was a party in the lawsuit and engage its insurance company. Carried unanimously.

Mr. Capouch said 2 directors had said they felt there was a director with conflict of interest. He asked if there were any others who felt that way. Mr. Turner said he did. Mr. Capouch observed there was no way to remove Directors under the By-Laws at present except by a majority of the community vote at a special meeting. He suggested amending the By-Laws so that a majority of the Directors could do so, thought he was not saying that was the case now. Mr. Reardon said it should be difficult to remove a Director; the Board needed to work together; if one person has an opinion different than anyone else that on the outside has used different means to get their point done, that presents a problem in faith, confidence, and trust. Ms. Commander said feelings could go both ways; she said she had been honest about short-comings in policies and procedures of the Board and expressed concerns in emails; some things had gotten better, some need to be addressed; her concerns were trust and how Boards in the past handled financial issues; a lawsuit against the Board is against her as well; she said she had suggested going to Mr. Reich and see how to provide him the information; she observed Mr. Inman never came to the Board and asked if it wanted to give him the information – he started defending before saying what do you want me to do; she said Mr. Reich asked for multiple years, which was excessive – no one has offered him a window; the door was slammed and that's why the Board is in the position.

Mr. Kazmierzak said the issue is not Ms. Commander having different opinions but the fact that she went outside of the Board personally and that's where trust was lost. Ms. Commander said the truth was Board members, including him, and other people on the Board were all chatting with other people. Mr. Kazmierzak said not to cast accusations not based on fact; the facts are that Ms. Commander went outside of the Board, has personal relationships and has contracted an attorney – the Board's attorney – after having voted herself that she was not supposed to; there is a lack of confidence and trust that only she had caused. Ms. Commander said she was not working in the negative against the Board but working towards a resolution. Ms. Bonnett said there were 2 separate issues: one was how to deal with a conflict on the Board

between members; the other was how to deal with the lawsuit; regarding the conflict she agreed it was dangerous for the Board to kick other members off, but it wasn't dangerous to adopt a policy as to how to force recusal on specific issues; she observed Ms. Commander didn't have a conflict with any other issue; but if Ms. Commander had a conflict with this lawsuit or if she (Ms. Bonnett) had one with her neighbor, for example, then each individual member needed to recuse themselves, or the Board had a policy to force that issue – but based on votes and issues, not on you can't be on the Board anymore, since all were elected and all bring something to the table; the rest of the Board can deliberate on whether a member is conflicted out; perhaps a policy where a super – majority could force a recusal of a member. Mr. Angelle said the By-Laws need to amended, and he didn't like to hear “my or me” – it's us – make a decision together. Mr. Reardon asked was the information Mr. Reich was looking for TEC's or the BCHOA's. Mr. Inman said both; some information provided to Ms. Commander was TEC records – but it was agreed that was backup to the TEC bill; this was the third time with Mr. Reich; in 1996 he had sued the BCHOA and Morgan Earnest; in 2006 he was threatening suit, and he came in and looked at records; the 1996 suit was settled in 1998 – it was dismissed; Mr. Inman said Mr. Reich has conspiracy theories and he is delusional – he thinks things are happening when they aren't; he said Mr. Reich sent a demand letter, Mr. Inman sent it to the attorney, the attorney responds, and then the suit was filed. Mr. Inman said Mr. Reich wants to depose him (Mr. Inman) and he did not know what he hoped to find by deposing him; Mr. Inman said he asked his attorneys – let Mr. Reich depose him, he didn't care; but rather than coming to him and ask him, Mr. Reich filed a suit; but now that things are in a lawsuit, the attorneys say there is a right way to get the documentation; on Thursday they will go get the suit dismissed v. TEC because he has no standing with TEC, as there is no agreement between a homeowner and TEC, and that's why the BCHOA is being brought in; he said he had hoped Ms. Commander would show Mr. Reich the documents she got and he would back off. Mr. Inman said when Mr. Reich first called Mr. Inman, Mr. Reich said he was representing Ms. Commander and Ms. Boudreaux, and then he backed off; Mr. Inman said he was hopeful Ms. Commander would show the records to Mr. Reich and that Mr. Reich would ask questions. Ms. Commander said she didn't want to be in the middle but the Board wanted her to share the records she would. Mr. Reardon said Ms. Commander didn't have an opinion and was busy with other things, and to leave Mr. Reich alone; the Board could have participated in showing him some of these documents but didn't, so the lawyers are involved.

Mr. Capouch suggested the Board consider making a change to the By-Laws as Ms. Bonnett suggested Mr. Reardon didn't believe it belonged in the By-Laws, but could be handled like the confidentiality agreement. Mr. Capouch said under the definition of a fiduciary if one has a conflict with the interest of the BCHOA there is a problem; if Ms. Commander had a personal interest in looking at records that is a similar interest with someone suing the BCHOA, there is a conflict. Ms. Bonnett said Ms. Commander didn't have a personal interest from a financial perspective but had a desire to see the same information as Mr. Reich. Mr. Capouch said except Ms. Commander said she didn't rule out a law suit. Ms. Bonnett said there has to be a high threshold to force a recusal. Mr. Capouch said usually talk of fiduciary had to do where there was a financial interest in conflict, but in this case it wasn't a stretch to think there is a personal interest or motivation in conflict with the best interest of the Association. Ms. Bonnett said she would prepare something for next meeting.

Approval of the Minutes (June 7, 2013)

Mr. Capouch moved, seconded by Mr. Angelle, to approve the minutes. Carried unanimously.

Committee Reports

Community Enhancement Committee (CEC)

Chair Doug Tate said 8 RFPs had been received and the Committee would review them on Tuesday. The proposed members were himself, Ann Jacobson, Leslie Boudreaux, Will Trist, Jay Richardson, Susan Bonnett, Louise Rusch, and Donna Kiesel. Mr. Tate moved, seconded by Susan Bonnett to appoint these as the CEC members. Carried unanimously.

Environmental Control Committee (ECC)

Chair Chuck Turner reported from June 1st – July 17th, the ECC approved the following applications: 2 decks, 3 fences, 5 irrigation systems, 1 parking pad, 1 swimming pool, and 1 tree removal. He also said the ECC recommended new guidelines for solar panels as requested by the Board. He read the proposed guidelines which were in the meeting packet. Mr. Reardon observed aesthetics overruled. Mr. Maier observed the one on Bocage near Ms. Commander could no longer be approved. Mr. Turner observed that one particular company had panels that were ugly as compared to the one, for example, on North Beau Chene that wasn't even noticeable. Mr. Turner moved, seconded by Mr. Angelle, to approve the new ECC Construction Guidelines. Carried unanimously. Mr. Turner then brought up the existing Guideline C to do with culverts and he asked Mr. Whealdon to comment. Mr. Whealdon said it had to do with the indemnification provisions and also requiring homeowners' policies (for those installing culverts) to have the Association as an additional insured. He said he spoke to Parke Ellis, the Association's agent, and both he and Mr. Ellis had looked some typical language; and he (Mr. Whealdon) also spoke to other local agents and got samples; the issue is some carriers will not name additional insureds; some cover indemnifications, some exclude it; Mr. Whealdon recommended tabling until Mr. Ellis could appear at the September meeting. Mr. Reardon said as well as from an insurance standpoint it should be examined from a legal standpoint, a lawyer might say tell them no, forget the insurance.

Further discussion ensued, including the following topics: Mr. Whealdon's expression of concern that an individual homeowner could be bankrupted after an injury related to a culvert and a subsequent suit; Mr. Reardon's observation that there was no way to have all the individual homeowners name the BCHOA as insured; Ms. Bonnett's observation that as long as the BCHOA owned the property and gave the homeowner approval for modifying the property by installing culverts, the BCHOA would be involved in any suit; and it needed to be determined how to allow such culverts and what to charge for it; Mr. Maier's noting that attorney Robert Bailey's legal opinion said that the individual homeowner had a predial servitude and that in combination with the language in ECC Guidelines C made the culvert the responsibility of the homeowner. After the discussion, it was decided to continue the discussion with Mr. Ellis' input at the September meeting.

Finance Committee (FC)

Treasurer Jay Capouch noted the May financial statements had been given to the Board; he asked for any related questions. There being none, he said the FC met to suggest two new investment policy statements to be adopted; it suggested allocating reserve funds to various reserves: \$250,000 to the operating account; \$500,000 for replacements; \$600,000 for maintenance; and \$50,000 for betterments; the Board could move money as it saw fit among these categories; the reserve for replacement was defined in the covenants and can only be invested in obligations for the US government, the rest are undefined and are in name only; the funds could be moved at any time by the Board from one to the other. Mr. Day said actual accounts could be set up in these names, and Mr. Capouch agreed.

The FC concluded the BCHOA was losing value if keeping all funds in cash rather than investing in Treasury Bills and laddered CDs; the FC looked at investing \$650,000 elsewhere; it received recommendations from Merrill Lynch (ML) regarding fixed income or managed bonds – no equity bonds, and Morgan Stanley Smith Barney (MSSB) regarding exchange traded funds in bonds; both proposals were similar; the idea was to establish an enduring investment policy despite changes in the Board, Treasurer, or account representatives, using firms that had research and availability of other investments that could make recommendations to the Board; quarterly reports would be given; some recommended investing a modest amount – 10% – in alternative investments such as gold or other real assets that are not fixed income or cash; this was a way to get the entire return up to approximate the consumer price index (CPI). Mr. Capouch noted FC member Christian Donovan, who teaches corporate finance at the University of Phoenix, suggested investing a minimum in some equities that are less risky than some alternative investments; so a maximum 15% in equities or alternative investments was recommended with 85% in cash; once the policies were adopted, ML would make a formal presentation; he noted Mr. Tate, an employee of ML, had recused himself from any discussions; the reason ML was recommended as it had the capacity to handle the operating account and money could be moved easily between the operating and investment account; currently Capital One charged \$100 - \$150/month for maintaining the operating account, but ML would not charge; a scanner would be purchased; MSSB did not have the capacity to handle the operating account. Mr. Angelle and Ms. Bonnett suggested the FC look at J.P. Morgan Chase Bank and possible others as well for comparison. Ms. Commander said the By-Laws may have to be amended. Mr. Capouch said that would come after the policy was approved. Mr. Capouch moved, seconded by Ms. Bonnett, to approve the reserve policy statement. The motion carried with Mr. Tate abstaining. Mr. Capouch moved seconded by Ms. Bonnett, to approved the investment policy statement, but changing the fixed income or cash requirement from 90% to 85% minimum. Mr. Rase asked how the % could be changed. Mr. Capouch said by amending the policy. Mr. Rase recommended caution when lowering the fixed income %. Mr. Capouch said FC member Joe Berey was against the policy, believing no risk should be taken as otherwise the Board could be second guessed. Ms. Commander said she agreed with Mr. Berey. Mr. Capouch observed by not doing this the CPI was rising 3% year, then with \$1 million in reserves \$30,000 would be lost. Mr. Reardon asked for a vote on the motion. The motion carried with Ms. Commander opposed and Mr. Tate abstaining.

Mr. Capouch said Article X, Section 2 (d) said that investments shall involve the control of reserve funds or other such funds on a temporary basis; the question is what does "temporary basis mean" – investing in fixed income or CDs with and extended maturities – is that temporary? The FC recommended amending the Article by removing the on a temporary basis "language, and say would invest such funds as deemed suitable for investment by the Board of Directors". Ms. Bonnett suggested adding "as determined by the Investment Policy Statement of". Mr. Capouch moved to amend the language "on temporary basis"... Ms. Bonnett said the By-Laws could not amend without prior notice. Mr. Capouch said in addition he would add "as deemed suitable by the Board of Directors and in accordance with its Investment Policy". Mr. Reardon read on page 17 of the By-Laws that "the By-Laws may be amended by the affirmative vote of a majority of the Board at any meeting of the Board of Directors called for such purpose". Ms. Bonnett recommended making the motion now and letting it lay over to a future meeting. Mr. Reardon asked this be put on the agenda for the next (regular) meeting, with Mr. Capouch to supply the language.

Mr. Capouch noted Mr. Day had a proposal to spend \$3,750 to develop a new website and this had not been budgeted for; so he said he asked Mr. Day to develop a budget for this and other items related to the transition. Mr. Reardon agreed, saying the Board needed to establish at what level it would participate. Mr. Capouch again suggested a budget. Mr. Day said it was hard to establish a budget until the location was known, that he saw website management as just routine management; this would be a one time cost to develop a new website. Mr. Day asked what he was allowed to do or not do to manage the payroll, health benefits – everything that TEC did at present; those was still no set cut-off date from TEC, and the issue of location needed to be settled. Mr. Inman said one of the issues he was having had been settled this morning, because if TEC and BCHOA were foes it being in the same building wouldn't work; so now details like space allocations, phone systems, what furniture would be kept could be worked out; the whole interior was to be repainted and recarpeted, and kitchen, reception area, and bathrooms remodeled; a wall needed to be built for Scott's office; perhaps all could be done by the end of August, so this might be his last Board meeting. Mr. Reardon said if in the future TEC and the BCHOA become foes and that would create problems, perhaps another location would be better. Mr. Inman said that would be okay; he said that starting in 2009 there was an effort in the community to divide the BCHOA and TEC, that there was no common purpose; to the extent that the BCHOA and TEC try to work together in the future the view rather was if anything was beneficial to TEC, it was detrimental to the BCHOA, but that wasn't the way of it worked as it was a symbiotic relationship and both benefited, and both will have to work together in the future; he said he couldn't say what would happen in the future, but to have 2 adversaries in the same building wasn't a good idea. Mr. Reardon said things needed to go well and there wasn't any point in being adversarial, but to satisfy some of that element it may be better to go elsewhere. Ms. Bonnett said it was a lessor – lessee relationship that geographically worked best for the BCHOA, but if there was a future fight, there was only a common wall shared, not staff. Mr. Inman said the reception area was shared, the receptionist was taking leave this afternoon and he had no shared employees to put at the reception area, so TEC employees would cover it; but he hoped once TEC was not involved except with the lease all conflict would stop; he noted this was one of the major reasons the had terminated the contract. Ms. Bonnett suggested Mr. Day come up with at least 2 options, one with TEC and one outside, with a full budget for each, and there be a special meeting to what can be afforded, what has to be invested, and the time-

frame. Mr. Day said that could be done without 30 days. He also asked what he was allowed to spend without approval. Mr. Turner said since Mr. Day was a consultant there was no right to spend any without Board approval. Ms. Bonnett suggested Mr. Day give suggested parameters at the special meeting. Mr. Reardon referred to the current policy, but Mr. Inman pointed out that was only in the proposed negotiations. Mr. Maier said currently the check amount policy was that any amount \$5,000 and over required 2 signatures. Mr. Reardon and Ms. Bonnett suggested Mr. Day putting his ideas about that in the policy also. Mr. Kazmierzak suggested also including guidelines on the threshold for Mr. Day committing to a contract. Mr. Angelle said in his experience there were spending limits for each position. Mr. Reardon said in discussions with Mr. Inman the 90 day out would not be used – just a gentleman’s agreement saying when you’re done, you’re done.

Governance Committee (GC)

Ms. Bonnett said the GC had not met; her house was for sale and she did not know how long she would be present; she said she would continue to serve as chair, but someone needed to officially or unofficially co-chair; the previous members were Mr. Capouch, Mr. Turner, Bill Jacobson, Sean Burke, Ms. Commander, and herself. She said she knew Ms. Commander was interested in the By-Laws being rewritten, and also the GC has said it would discuss whether Ballot Box would be used again. Discussion ensued about which Board member might chair GC. Mr. Rase volunteered, after it was noted Mr. Pesses would be up for reelection in the spring so it would be hard for him to function on the GC handling the reelection, but Mr. Pesses said he would serve if wanted. Mr. Reardon suggested Mr. Rase and Ms. Bonnett bring to the next meeting a list of proposed members. Mr. Turner said he would resign from the GC, as he headed the ECC and was on the FC.

Infrastructure Committee (IC)

Mr. Reardon said the IC had met; the proposed treatment plant office trailer had been approved. Mr. Inman said he had paid the fees for 4 specialty licenses from the State Contractors Licensing Board but hadn’t received them yet. Mr. Reardon asked Ms. Commander what would happen re: the licenses with TEC retiring. Ms. Commander said she hoped Mr. Vinson would be named the “qualifying party”. Mr. Capouch asked if the issue was if dealing with a contractor a license was needed, but not if the BCHOA did the work itself. Mr. Inman said no, the case he was sent was a hospital which was told it needed a General Contractor’s license. Ms. Commander said she would chat with the director of the Licensing Board. Mr. Reardon said the 10 year overlay plan was 80% complete; the main gate pothole was fixed for \$2,500; the main gate turn lane was pushed off until January; the idea of a shortcut to the sewer plant to help lift station #5 was too expensive; lift station #11 needed upgrading; smoke testing continued; proactive steps for hurricane preparations were taken; dry weather had allowed drainage work; a deficiency regarding infiltration with lift station # was reported to DEQ.. Mr. Vinson said the water system came in 2nd for the System of the Year award by the LA Rural Water Association; employee Lindsey Adkins had been one of 4 finalists for Operator of the Year. Mr. Reardon said several contracts with service providers were under legal review.

Mr. Reardon passed out copies of proposed increases for Public Works Employees: Mr. Adkins would be moved to a salary of \$54,800; adding a cell phone; Harold Collins would receive a \$1.55/hour, adding a cell phone; Clay Chadwick a \$1.10/hour increase; Troy Breland would go from 12 hour part time to 40 hour full time, with a car allowance increase. Mr. Reardon reviewed details comparing the present compensation to the proposed details; he clarified that Mr. Adkins would no longer receive overtime, but as management under Mr. Vinson would still work some overtime; he noted none had raises since 2008. Mr. Capouch said water/wastewater were both about \$40,000 under budget as the raises were built in the budget for the year. Mr. Reardon said the budget allowed for a 5th person. Mr. Angelle moved, seconded by Mr. Kazmierzak, to accept the IC's recommendations for raises. Mr. Vinson and Mr. Day noted Mr. Adkins was okay with making less money as he wouldn't have to work as much overtime. Mr. Vinson said the rates were in line with industry standards. The motion carried unanimously.

Security Committee (SC)

Mr. Kazmierzak said at the SC meeting attendees were as follows: Marty Hennegan, Connie Seitz, Mark Bonner, Floyd Simeon – all previous members; new volunteers – Joe Corrizzo, Garrett Griggs, Lee Mackenzie; he could not reach Wayne Forman; Evans Spiceland, John Palmer, and George Bonnett who was with the Sheriff Office, had also volunteered but couldn't attend. Mr. Reardon reviewed again the proposed SC members, which also included Bill Maier and Betty Viener. Mr. Kazmierzak said some may drop off as things progressed. Mr. Reardon suggested thanking those not invited back. Mr. Capouch moved, seconded by Mr. Turner, to accept these members. Carried unanimously.

Mr. Kazmierzak said past members reviewed past proposals; members expressed also their feelings about the current situation; the SC proposed reviewing and revising goals and objections; it also will review past recommendations as well as current status and their applications; it will formulate changes to the current security plan, and a progressive and logical implementation process, likely phasing in updates; it will formulate short-term solutions to address problems possibly due to the guards' operating procedures, training, and enforcement of standards; recommendations for long-term solutions will be made; the SC will work with the CEC regarding the functional design of gates and guardhouses; finally, it will formulate a communications outreach, utilizing the monthly newsletter. Mr. Day noted that was a vital part of the web design.

Condo Outreach Program (COP)

Mr. Rase reviewed briefly discussion about the forming of the COP at the last Board meeting. He said he and Mr. Maier had met to review lots of history; he noted Mr. Maier had shared information with he and Mr. Day; there are roughly 340 condos (339, but 355 with boathouses and townhomes); that are 7 owned by LLCs; based on the best information available, there are less than 4% that aren't in current owners; GNO Properties manages 6 of the 16 condo regimes; the word is getting out that the BCHOA cares and there is almost unanimous positive response from homeowners and condo owners; he noted dialogue with the owners and managers was continuing; he said Mr. Maier made it clear that just as one's driveway on his house property, that goes with your house – that's the same answer for one's condo drive; he saw this

would be a year to 18 month process. He clarified 4% were LLC owned condos, plus a couple of foreclosures, in reality the number was higher but he had looked at owners and phone numbers of residences; Mr. Inman observed Ms. Hennegan and Mr. Simeon owned condos but lived in single family homes. Mr. Maier said there was no way to require owners to say if there was a rental unit; perhaps a survey could be sent; the BCHOA dealt with owners. Mr. Capouch suggested looking at vehicle registrations. Ms. Bonnett suggested moving COP under GC, but Mr. Reardon wanted it to stay as it for the time being.

**Notice of Potential Condemnation from St. Tammany Parish to Melville Borne Re:
Property at 136 East Ruelle**

Mr. Maier noted copies of a letter from the Parish to Mr. Borne were in the meeting packets, said letter threatening condemnation if the property were not repaired; he felt there was still no chance of recovering some \$19,000 in dues owed; it would force the mortgage company to do something to avoid the condemnation; the company would otherwise have additional legal costs and the cost of demolition, and they would lose control of the property; the BCHOA had a lien, but there was some \$2 million in mortgages, judgments, and liens against the property.

Report by CAO Scott Day

Mr. Day said the pollution policy had been renewed; he suggested since Mr. Ellis would be at the next regular Board meeting discussing with the limits with him; the balance of the policies renewed 8/31; Northstar was running but there were some glitches with historical data; he said he and TEC workers had been to training sessions; there were a lot of capabilities to provide information faster; possibly with the website there would be a page where an owner could log on to look at their account. Mr. Rase asked if in the future plans could be looked at on-line. Mr. Day said yes, if the Board wanted to spend money on that – it was pretty pricey to scan all the documents; he said he envisioned a portal to go to the Northstar system and to pull documents; the employee handbook draft was being reviewed by an attorney; he said Mr. Maier and Mr. Vinson were reviewing the draft hurricane procedures and make recommendations in light of what was already in place, to tie into one package; he said he met with Ronnie Simpson, the Parish P.R. person, who is doing the same thing for the Parish; and discussed if there was an event how the Parish rolled out its plans; he had gotten contracts to get the BCHOA plan reviewed.

Ms. Commander asked if there was a remedy for lift stations that flooded during Isaac. Mr. Vinson said for those in low areas; power was shut off during storms, but raising the whole stations that hadn't been considered. Mr. Vinson noted electrical panels were raised at the wells. Mr. Day said cost was a factor; the insurance carrier said one could not select certain stations to insure – it was all or nothing; an \$8,000 cost becomes \$34-\$45,000; was the BCHOA really exposing itself because incidences had been reported, but not fined. Mr. Vinson said regarding the Isaac damage, what was thought could be remedied was remedied; regarding the rest, it was a matter of the money it would take. Ms. Commander asked about securing the gates. Mr. Maier said since Katrina there were post and chains ready to secure the main and east gates, generators were ready to power the guardhouses; Vinson, like many security companies, can, for a price, bring in guards from other areas if necessary. Mr. Reardon asked if the gates could be closed up.

Mr. Maier said yes, that had been covered many times in newsletter articles; the problem was making sure the gates were manned after the storm; Vinson had sent out information on what it would cost but under a mandatory evacuation no company would tell a guard he had to stay during the storm; the point was getting them back after the storm, which was the problem after Katrina (Forte Security); after Gustav, Vinson put guards up at a nearby hotel. Ms. Commander suggested a proactive cleanup plan for cleanup by letting a contract ahead of time. Mr. Reardon said all needed to be in the plan. Mr. Maier observed with a major event like Katrina, it would be necessary to get the contractor involved with the Parish FEMA contract, which can't be done on the front end.

Mr. Day had met with Parish attorney and engineer, and the Robinsons, neighbors to the new house built by the Scott Sortor family, regarding their drainage concerns; because the Marys, the neighbors on the other side; were suing the Sortor's, it was felt best that the staff who could answer a lot of questions not participate in the meeting; but the Marys didn't come to the meeting, so it was a fact finding meeting for the Robinsons; the Parish handled the drainage approvals for building; the BCHOA's only interest was the side servitude; Mr. Day said he and Mr. Vinson would meet with Ms. Robinson.

New Business and Old Business

Mr. Reardon said he would inform Mr. Robichaux his services were no longer needed.

It agreed to have a Special Meeting on August 23rd at 8:30 a.m. at the Beau Chene Country Club. The agenda would include approval of the FC recommendations and Mr. Day's transition plans.

Mr. Angelle said he received 4 complaints about the conditions of the flowers at the east gate; also that a guard complained to a resident about the new policy requiring them to stand when someone entered. Mr. Day and Mr. Maier observed the caladiums died because CRL dragged its feet repairing the irrigation system.

Mr. Whealdon moved, seconded by Ms. Bonnett, to adjourn. Carried unanimously.

Jay Whealdon, Secretary
Bill Maier, Staff