

the History of
THE SEABROOK  ISLAND CLUB

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Cover photo by Bob Hider

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The Seabrook Island Club's Board of Governors would like to thank Ron Ciancio, his committee and the many current and past Club Members who provided information and pictures for this history of the Seabrook Island Club.

At times the reader may wonder if it is a history of the Seabrook Island Club, or the Seabrook Island Community, as it is impossible to record the history of one without also covering much of the history of the other. The close ties between the events that shaped our Community and those that shaped our Club demonstrate the interdependent nature of the history and success of both. We will be forever grateful for the foresight, courage and actions of those who purchased the assets of the Seabrook Island Ocean Club and those who incorporated the Town of Seabrook Island. Their actions placed the future of Seabrook Island and the Club in the hands of the Property Owners and Club Members; setting the stage for the magnificent Community and Club we all now have the privilege of enjoying.

We hope you find the history of the Club to be fascinating reading and join us in remember those that made it possible.

Ken Ingram
Secretary, The Seabrook Island Club

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HIGHLIGHTS OF THE
Club's History

- 1970: Seabrook Island Limited Partnership headed by Charleston developer William C. Whitner, purchased the bulk of the property from the Episcopal Diocese of South Carolina. The property is later transferred by Whitner to the Seabrook Development Corporation.
- 1972: Seabrook Island Company, a South Carolina Limited Partnership with the firm of Gerry Brothers and Company of New York as the limited partner and Land Logistics of Florida as the general partner, purchased the island from the Seabrook Development Corporation and officially began sales of property for residential purposes on Seabrook Island in November.
- 1973: Ocean Winds golf course, designed by Willard Byrd, opened for play on July 21st.
- 1974: The Seabrook Beach and Cabana Club (the “Beach Club”) held its official opening on August 13th.
- 1975: Gerry Brothers and Company purchased the equity interest of Land Logistics Corporation in the Seabrook Island Company. John W. Kessler named managing director and president of the Seabrook Island Company.
- 1976: Seabrook Island Company came under the operational control of a general partnership owned by J. W. Kessler with the Gerry Brothers still owning the limited partnership interest.
- 1978: The Seabrook Island Men’s Golf Association (MGA) was founded in September: Don Rhodes was elected the first president, Ed Hickey was elected Treasurer and John Downen was elected secretary.
- 1979: Robert Trent Jones was selected by the Seabrook Island Company to design the Crooked Oaks golf course in August. The course opened for play on October 15, 1981.
- 1980: The Island House officially opened on June 30th.
- 1981: The Crooked Oaks golf course opened for play in October.
- 1981: The Seabrook Island Company was purchased by a partnership headed by John W. Kessler (Thistle Corporation general partner) in December.
- 1982: The second half of the Island House officially opened in June.
- 1982: The Seabrook Management Corporation headed by John W. Kessler replaced the Thistle Corporation as general partner of the Seabrook Island Company

- 1985: Three Seabrook Island residents – F. Parker Hudson, Robert Russell and Dennis R. Haydon buy the Island’s undeveloped properties and resort amenities. The Seabrook Island Ocean Club owned by Russell took title to the assets in the summer of 1986.
- 1986: The Seabrook Island Members Tennis Association was founded.
- 1987: The Seabrook Island property owners voted in favor of the incorporation of the Town of Seabrook Island on May 19th.
- 1988: All of the Island’s recreational facilities are placed under the control of the Club Corporation of America as of January 1st.
- 1988: The first meeting of the Equity Conversion Committee was held on February 25th.
- 1989: The SIPOA incorporated Seabrook Island Associates (“SIA”) on June 19th to act as prime mover in equity conversion effort. SIA’s first organizational meeting was held on October 27th.
- 1989: The Seabrook Island Ocean Club filed for bankruptcy protection on September 20th.
- 1989: Hurricane Hugo hit Charleston on September 21st.
- 1991: Seabrook Island Associates and Bank South signed an agreement for the purchase of SIOC assets for \$9.5 million on March 18th.
- 1991: Seabrook Island Associates began its “On Board in April” membership drive on April 4th.
- 1991: “The Club at Seabrook Island, Inc.” was incorporated on April 22nd.
- 1991: The first meeting of the Club’s Board of Governors of the Club was held on April 29th.
- 1991: The transaction between Seabrook Island Associates and Bank South closed in escrow on June 28th.
- 1991: The Club members officially assumed control of the purchased assets from SIOC’s bankruptcy trustee on July 12th.
- 1992: The first Member-Member Golf Tournament was held on February 29th.
- 1992: The first Charleston Summer Classic Horse Show was held at the Seabrook Equestrian Center in July.
- 1992: The first Men’s Member-Guest Golf Tournament was held on October 10th and 11th.

- 1992: The first USTA Senior Clay Court Championship was held at Seabrook Island on October 10th and 11th.
- 1995: Kiawah and Seabrook men competed for the first annual “Island Cup” golf championship in May.
- 1996: The Club became a fully certified member of the Audubon Cooperative Sanctuary System in July.
- 1998: The Fitness Center at the Beach Club opened in February.
- 1998: The Alan Fleming Senior Clay Court Classic (renamed from the “Seabrook Island Senior Tennis Tournament”) was held on October 8th – 11th.
- 2000: Hurricane Floyd hit Charleston in September.
- 2003: The Club exited the conference, resort and villa rental management business on October 30th.
- 2004: Ballots were mailed for the Island One Referendum on September 20th. Results were announced on November 15th. The referendum passed by a significant margin.
- 2005: The new Club logo is introduced at the 2005 Annual Members Meeting.
- 2006: The Club switched to “non-refundable” equity memberships effective January 1st.
- 2006: The ballots were mailed for Horizon Plan referendum on June 26th. The results were announced on August 8, 2006. The referendum passed by a significant margin.
- 2007: The name of The Club was officially changed from “The Club at Seabrook Island, Inc.” to the “Seabrook Island Club” in April.
- 2008: Construction began on the Club’s Horizon Plan facilities on January 29th.

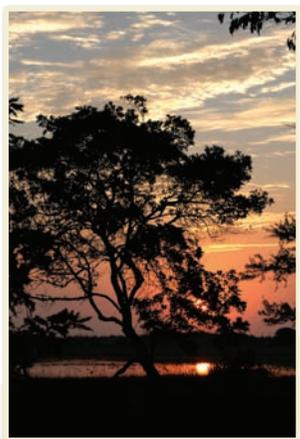


photo by Bob Hider

- 2009: The results were announced for the Repeal Island One Referendum in February. Fewer than 25% of property owners vote in favor of repealing Island One.
- 2009: The grand opening ceremonies of the new Pelican’s Nest were held on May 20th.
- 2009: The grand opening ceremonies for the new Island House were held on September 26th.

the History of

THE SEABROOK



ISLAND CLUB



The Early History

Sir John Colleton, a friend of the English King, Charles II, conceived the idea of a colony in “Carolina” based on a Proprietorship in 1661. The Proprietors sent Lt. Colonel Robert Sanford to explore the coast of the area which would become South Carolina in 1666, which at the time was inhabited by Native Americans. Sanford claimed the area for Charles II who had been restored to the English throne eight years earlier. After its settlement in 1670, the Island was named “Colleton” in honor of Sir John Colleton, one of eight individuals Charles II had rewarded for supporting his efforts to regain the throne of England. Colleton brought a group of settlers from the Caribbean Isle of Barbados, who in turn brought with them slaves from Africa. These settlers introduced the cultivation of rice to the area.

The English Proprietors awarded the first deed on Seabrook Island in 1696 to Sir Joseph Blake who held the title of “Landgrave” and served as the Governor of the territory from 1694 through 1700. His family held title to the Island until 1732 when it was sold to Samuel Jones who renamed his purchase “Jones Island.” The Island was sold again in 1753, to Ebenezer Simmons who, not unexpectedly, named it “Simmons Island.” Ebenezer Simmons’ grandson cultivated the Island’s primary source of revenue, cotton. The name was changed yet again in 1816 after the property was purchased by William Seabrook, a Sea Island cotton planter and part owner of the Edisto Island Ferry.¹ During the Civil War Seabrook sold the land to William Gregg, founder of the Granitville Company and a leading cotton manufacturer, for \$150,000 in Confederate money.

¹ Club website

On June 2, 1862, Union troops under General Horatio G. Wright, who had been occupying Edisto Island, were ferried across to Seabrook, where they came into ports at Privateer Creek. The troops then marched across Johns Island to Legareville (located slightly north and east of the current location of the Briar's Creek golf course) where they were transported to James Island for the anticipated attack on Charleston.

photos by Curtis Krueger



Development of Seabrook Island

Several subsequent purchasers, including the family of William Andell, held title to the property on the island before the Morowitz family bequeathed some 1300 acres to the Episcopal Diocese of South Carolina in 1951 with the understanding that the property could be sold, but that a portion had to be retained for use as Camp St. Christopher.² When the Diocese discovered that it could not claim tax-exempt status on all of the property, it sold all but 230 acres in 1969 to Seabrook Island Limited Partnership. The general partner of Seabrook Island Limited Partnership was the Seabrook Development Corporation which in turn was owned by William Whitner and Dorothy Miller, his future wife. The partnership purchased the property for \$1,800,000, putting up a limited equity investment and borrowing most of the money from the First National Bank.³ Mrs. Whitner had pledged \$250,000 in cash and \$550,000 in securities to secure the loan.⁴

² Interview with Max Hill

³ *Life and Times: A Memoir*, Dorothy Miller Whitner (2003), page 139

⁴ *Life and Times: A Memoir*, Dorothy Miller Whitner (2003), page 152

Shortly after the purchase, Whitner offered a five percent interest in the partnership to South Carolina state senator Snag Legare to “steer [him] in the right direction.”⁵



*The Seabrook Island Company Executive Offices built in the 1920's and was torn down for phase VII, VIII and IX
photo provided by Patsy Zanetti*

Over the next few years the Seabrook Development Corporation added a number of interior properties on the Island through its purchases from the Andell heirs: Dorothy McKee, Betty Stringfellow and Margaret Beckett. The Seabrook Island General Partnership later transferred the property it had purchased from the Episcopal Diocese to the Seabrook Development Company and dissolved.⁶ Whitner later retained Willard Byrd & Associates of Atlanta to prepare a development plan for the combined properties which became Charleston County Planned Unit Development Number 1. The master development plan projected 1,236 single family home sites and 1,415 multi-family residences. Density on the Island was not to exceed 1¼ residential units per acre.⁷ The recreational amenities included a Beach Club, a golf club, driving range and racquet club.

In November of 1972, Seabrook Development Corporation sold its interests on the Island to the Seabrook Island Company (“SIC”), a South Carolina partnership of two companies: Land Logistics Limited of Palm

⁵ Life and Times: A Memoir, Dorothy Miller Whitner (2003), page 139

⁶ Interview with Leonard Krawcheck

⁷ Leisure Living, undated

Beach, Florida (which served as general partner and was owned by Harry Gonzalez, his son Henry, and Richard Collier) and a Wall Street firm, the Gerry Brothers and Co., which served as limited partner. William Byrd had introduced Whitner to Land Logistics Limited.⁸ The Gerry Brothers financed the purchase and paid \$4 million for the Island: \$750,000 in cash to pay off construction debt; assumption of a mortgage in the amount of \$1,665,940; a note to Whitner's wife in the amount of \$606,797 (in consideration for which she was required to assume a note to the First National Bank in an equal amount) and \$977,262 in notes to Whitner and his partners. Whitner and his wife made a profit of approximately \$550,000 from the transaction.⁹ After the sale, William Whitner was retained by the Seabrook Island Company in a management capacity for several years. It was at this point that the Seabrook Island Company officially began marketing property on the Island for residential purposes.¹⁰ Later in 1972 Max L. Hill Jr. formed Seabrook Sales Company to handle real estate sales on Seabrook.¹¹

The Ocean Winds golf course opened for play on July 21, 1973, less than eighteen months after residential construction had started on the Island. Willard C. Byrd & Associates, the same firm that developed the design of the Island, designed the Ocean Winds golf course.¹² South Carolina Governor John C. West joined a number of other dignitaries and Seabrook property owners at the event. At about this time, the construction of the tennis courts and pro shop were completed, and Tom Wagner was named the Island's first golf professional.

In early 1974 construction began on two new major utility facilities – the permanent sewage treatment plant and the water plant. These two facilities represented an investment of over one-half million dollars. The construction of these facilities was a significant milestone in the Island's development plan.¹³

The official opening of the Seabrook Beach and Cabana Club (the "Beach

⁸ Interview with Max Hill Jr.

⁹ *Life and Times: A Memoir*, Dorothy Miller Whitner (2003), page 153

¹⁰ *News & Courier*, November 15, 1972

¹¹ Interview with Max Hill Jr.

¹² *Mount Olive Tribune*, December 10, 1974

¹³ Undated Seabrook Island Digest



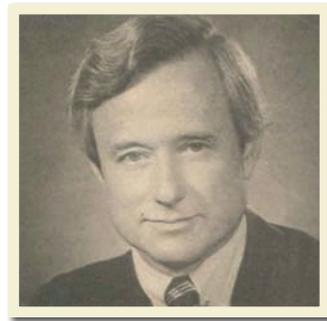
Harry Gonzalez and Williard Byrd pictured

Harry R. Gonzalez, President of Land Logistics Corporation, the general partner in Seabrook's development. Land Logistics was co-owned by Harry Gonzalez and Richard T. Collier, whose family name is synonymous with land development in Florida. In 1972, Land Logistics formed a limited partnership with Seabrook Island Company to purchase the island from Seabrook Development Corporation. The partnership was composed of Land Logistics Corp. and Gerry Company Brothers of New York. Concerned with the quality of life on the island, Mr. Gonzalez is on the scene daily, overseeing the prosecution of the development. More than any other person, he is familiar with every square foot of the property and determines even which trees are to be felled. Mr. Gonzalez is shown here with Williard C. Byrd, golf course architect for Ocean Winds Golf Course

Club”) was held on August 31, 1974.¹⁴ The main building of the Club featured a 75 seat formal dining room with views of the North Edisto River, Deveaux Bank and the Atlantic Ocean, a cocktail lounge on the upper level, and a snack bar and recreation room on the lower level. Sixteen luxury cabanas, a swimming and wading pool were located adjacent to the facility. Each cabana was designed with its own balcony or patio and shower facilities and was made available to property owners on a lease basis. The pro shop and locker facilities were located in another wing of the facility. The Beach Club was organized as a private club. The Seabrook Island Company invited property owners to be temporary members without charge for the last three months of 1974. Paid membership in the Beach Club was required thereafter.¹⁵

In early 1974, the first residential home was built adjacent to the 10th hole of the Ocean Winds golf course on Seabrook Island Road. The home was built by the Westvaco Development Company for Mr. & Mrs. Britton H. Lowry. Mr. Lowry was Director of Camp St. Christopher.¹⁶ Construction began on the High Hammock Villas and the Dune Crest Villas in 1974, the first villas built on the Island. The first Member-Guest Golf Tournament, which fielded fifty players, was hosted by the Seabrook Island Club in December of 1974. On January 18, 1975, Tom Wagner gained the distinction of scoring the first hole-in-one recorded on Ocean Winds on the 15th hole.¹⁷ The first Seabrook Island Natural History Group (SINHG) annual Fish Fry was held in the fall of 1975 at the home of founding member and historian Betty Stringfellow.

*J.W. Kessler, President of the
Seabrook Island Club, Ad
supplement to the Sunday News
& Courier / Evening Post, April
15, 1984*



¹⁴ Seabrook Island Digest, September, 1974

¹⁵ Seabrook Island Digest, October 1974

¹⁶ Seabrook Island Digest, February 1974

¹⁷ News and Courier, January 21, 1975

When a down turn in the real estate market occurred in the mid-1970s, the Gerry Brothers retained John W. Kessler – a successful national apartment developer – and Fred Van der Kloot to assess the situation at Seabrook, and to oversee planning and development.¹⁸ Kessler became managing partner and president of the Seabrook Island Company in 1975. In August of 1975, the Gerry Brothers bought out the equity interest of Land Logistics Corporation in the Seabrook Island Company.¹⁹ Max Hill Jr. was asked by the Gerry Brothers to serve as the General Partner of the Seabrook Island Company. Hill formed the Thistle Corporation to serve in this capacity.²⁰

photos by Curtis Krueger



Seabrook Island's Early Years

The Island's reputation was beginning to spread, and it soon began to attract a number of dignitaries. Phil Donahue, Julie Eisenhower and South Carolina Governor James Edwards attended an event hosted by the Seabrook Island Club in October of 1975.²¹ During the next several years a number of other well known celebrities visited the Island. Entertainment personality Steve Allen and his wife Jayne Meadows spent five days at Seabrook in a High Hammock Villa. Susan Ford, the daughter of President Ford, stayed with the President's brother who owned property on the Island (immediately off the 16th tee box of Ocean Winds golf course) and used the time to take tennis lessons from Seabrook Island professional

¹⁸ Interviews with Leonard Krawcheck and Max Hill Jr.

¹⁹ Charleston Evening Post, August 12, 1975

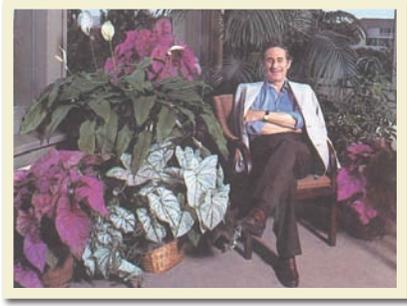
²⁰ Interview with Max Hill Jr.

²¹ The Advertiser, Bamberg, SC, October 30, 1975

Jack Lowe.²² Several of the more renowned artists who appeared at Charleston's Spoleto festival chose to stay at Seabrook during their visits, including Gian Carlo Menotti, festival founder and top composer, Charles Wadsworth, musical director for Lincoln Center's Chamber Music Series and Yo-Yo Ma, one of the world's finest cellists.²³



Yo Yo Ma



Gian Carlo Menotti

In 1976, the Seabrook Island Company came under the operational control of a general partnership owned by Jack Kessler, with the Gerry Brothers continuing to own the limited partnership interest. Kessler succeeded to Max Hill Jr's interest in the Thistle Company. Shortly thereafter, Hill sold the Seabrook Sales Company to Kessler.²⁴ Seabrook Island Club's First Annual Golf Championships were played on Labor Day weekend of 1976. Overall winners on the women's side were Cynthia Small and Emma Madden and Doctor Al Rawl became Seabrook's first men's golf champion by edging out runner up Ed Garver. That year Jim Haslam became the new golf pro and Grigsby Arnette became the new tennis professional of the Seabrook Island Club.

The Seabrook Island Club was formed as an independent entity in late 1977 by the Seabrook Island Company to provide and maintain a private club for the enjoyment of its members. Property owners of Seabrook had priority on available memberships. Membership in the Seabrook Island Club was by application only, and the club was not obligated to accept property owners for membership. All members were to be elected by the Membership Committee of the Club. There were four categories of membership: (i) Beach

²² News and Courier, August 7, 1976

²³ Tidings, Late Summer 1982

²⁴ Interview with Max Hill Jr.

Club, which included use of the club's pools and facilities, (ii) Tennis, which included all Beach Club membership privileges and year round play on courts, (iii) Golf, which included all Beach Club membership privileges and year around play on golf courses, (iv) Combined Sports, which included all of the foregoing. Use of the Club's facilities was limited to members in good standing, visitors holding unexpired guest cards, and designated employees. The initiation fee for full-time members was \$1,000, and the annual dues for full time resident members were \$900.

Unlike the governance of the Club which is owned and governed by its members, the ownership, governance and management of the Seabrook Island Club was controlled by the developer, the Seabrook Island Company, and its Executive Committee which had the power to make such rules and regulations as it deemed necessary for the governance of the Seabrook Island Club and its members. Amenities available to club members included golf, swimming, tennis, and horseback riding.²⁵ At this point the Seabrook Island Club was an unincorporated entity, and the name was used by the Seabrook Development Company essentially as a service mark.²⁶

The Seabrook Island Men's Golf Association ("MGA") was founded in September of 1978 by thirteen residents of Seabrook Island: Brian Battersby, John Downen (Secretary), William Fleming, Ed Garver, Ben Hankin, Ed Hickey (Treasurer), Dan Knapp, James Madden, Fran Mawicke, Lee Peters, John Reigart, Don Rhodes (President) and Ernest Zinkowski. The MGA first began with organized golf for its members on Saturdays. It later initiated a hole-in-one fund and organized play first on Tuesdays and later both on Tuesdays and Thursdays.

Construction of a new club house began in the spring of 1979. Designed by Troit & Boan Associates of Columbus, Ohio, the two story 12,000 foot structure was to house the men and women's locker facilities, the golf pro shop, a kitchen and cocktail lounge. Formally designated as the "Island House," the facility opened a year later on June 30, 1980.²⁷ At this point it was just the Bohicket Lounge half of the Island House. The west side of the

²⁵ Seabrook Island Club, Bylaws and Rules

²⁶ Interview with Leonard Krawcheck

²⁷ The Seabrook Islander, Vol XI – 79

building was just a “weird looking” flat wall.

That winter, LPGA “Rookie of the Year” (1979) and future World Golf Hall of Fame member Beth Daniel was hired as Seabrook Island Club’s touring women’s golf professional. Several months later, in the spring of 1980, Carlos Goffi was named Tennis Director at Seabrook Island. Mr. Goffi had coached a number of well-known tennis professionals including John McEnroe, Vitas Gerulaitis and Mary Carillo.

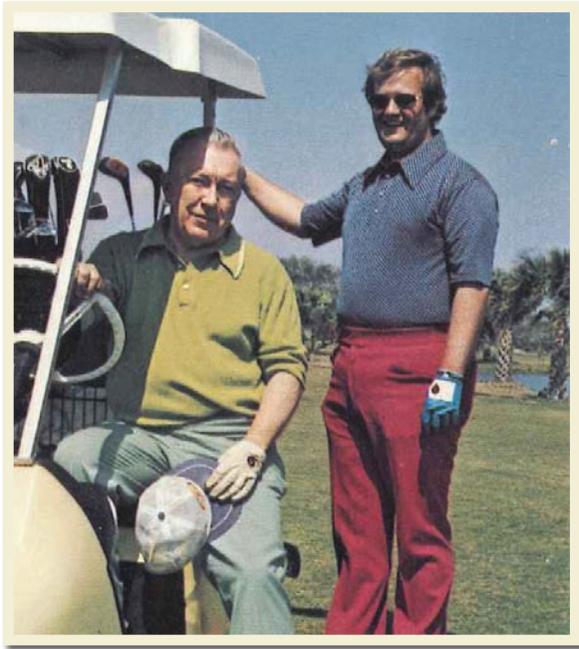


Beth Daniel at Seabrook, 1982 Seabrook Island Co. flyer

By March 1980, there was a growing concern among property owners that the Seabrook Island Property Owners Association (“SIPOA”) was being controlled to a large and unacceptable extent by the Seabrook Island Company, and that Seabrook’s property owners did not have an effective voice in the governance of the Island. As a result, an organization called the Seabrook Island Home Owners’ Association was formed separate and independent from the SIPOA. Larry Flaum, Russell Blandford and William Fleming were appointed as the initial slate of officers of the Home Owners’ Association. Over the next several years, and after what would sometimes

be contentious negotiations with Seabrook Island Company, the developer agreed to appoint a proportionate number of the Home Owners' Association's members to the SIPOA Board of Directors and its committees. Over a period of time, the SIPOA would become independent of the Island's development company and, ultimately, the Club.

The Crooked Oaks Golf Course was completed and opened in October of 1981. In July of 1983, Western Conference Resorts, an Arizona based company, assumed the management of resort operations at Seabrook Island, and Henry DeLozier was appointed as General Manager to handle the on-site work on the Island.²⁸ Seabrook Island hosted the first in a series of tennis tournaments in 1983 which were later to become known as the Alan Fleming Tennis Tournament. The tournament has been held annually at Seabrook Island since that time.



*General John "RUSS" Blandford and
Congressman Mendal Davis.*

photo provided by Bob and Frances Zimmerman

²⁸ Seabrook Island, undated publication

The Seabrook Island Company, a partnership headed by John W. Kessler purchased Seabrook’s assets from the Gerry Brothers in December of 1981, for an undisclosed purchase price. As noted above, Kessler’s company, the Thistle Corporation, had operated the Island’s resort facilities for the prior six years.²⁹ Kessler owned and operated the Seabrook Island Company for a period of about four years.

The amenities and the remaining undeveloped properties were sold by Seabrook Island Company in July of 1985, to three Seabrook Island residents: F. Parker Hudson, Robert B. Russell and Dennis R. Haydon.³⁰ Russell and his management team of Robert Sawyer and Robert Nicholas “assumed the reigns of leadership of Seabrook Island” in the summer of 1986.³¹ Russell took title to the purchased assets in the name of his development company, the Seabrook Island Ocean Club (“SIOC”). Russell had made arrangements with a number of financial institutions to provide development and construction financing for the project, including the First National Bank of South Carolina, Home Federal Savings and Loan Association of Charleston and Manufacturer’s Hanover Trust Company. At this point, what had been a relatively cooperative relationship between the developer and the SIPOA changed; and the SIOC withdrew its positions on the SIPOA Board of Directors which then became under exclusive control of the property owners.

²⁹ The News and Courier, October 9, 1990

³⁰ The News and Courier, October 9, 1990

³¹ Seaviews, September 1986



Incorporation of the Town of Seabrook

In early 1985, action being taken by the City of Charleston to annex parts of Johns Island was perceived as a threat to the independence of Seabrook Island. At the 1985 SIPOA Annual Meeting, Russ Blandford expressed concern as to the potential annexation of Seabrook Island, and recommended that a committee of property owners be established to study the question of incorporation. Jack Garvin was appointed to head the committee. Trish Dixon, Tom Ford, Julius Green, Paul Macmillan, Jack Reigart and Wilson White were the original committee members. Keith Fuller, Joe Hall, Bob Johnson, Curt Judge and Joel Thompson joined the committee as additional expertise was required.

In August of 1986, the committee recommended incorporation as the best protection against the perceived threat of annexation. The SIPOA Board was in favor of incorporation, but believed that the effort should be carried out through an independent committee funded by private donations to avoid criticism that the SIPOA should be funding an effort not supported by the entire community. Petitions were circulated by the committee which also solicited funds to pay for the cost of incorporation.

In October of 1986, and on advice from attorney J. Reese Daniel, the task force filed a petition with the South Carolina Secretary of State concerning proposed town boundaries, services, form of government, election method and terms of elective office. The town would include Seabrook Island, Bohicket Marina and farm property in between the two. The information was certified by the Secretary of State which in December of 1986 authorized

the task force to hold a referendum on the issue of whether the town should be incorporated. The appointed election commissioners were Jack Garvin, Julius Green, Bob Johnson, Curt Judge, Marilou Stonehouse and Peggie Theoharous.

The referendum was initially scheduled for March 3, 1987, but was postponed because required authorization from the U.S. Justice Department had not been received. The Justice Department was required to determine whether the referendum had a discriminatory intent before it could authorize the vote.

It was generally agreed that the initial interest in incorporation grew out of a fear of annexation by the City of Charleston³². The principal owner of the Seabrook Island Ocean Club, Robert Russell who opposed the proposed incorporation, stated that the fear of annexation was “a little exaggerated.” He noted that for Charleston to effect an annexation it would first have to annex large portions of Johns Island and Kiawah Island, and then annexation could occur only if 75% of the voters in the area to be annexed approved the action. Russell also stated that Charleston mayor Joseph Riley had publicly stated that the city had no intent to annex Seabrook. However, irrespective of the true impetus for the effort to incorporate, interest had been piqued by a growing dissatisfaction among Seabrook Island’s residents with SIOC’s plans for the development of the Island, including a proposed 188 unit four building development. Under the Charleston County zoning ordinance, the island was categorized as a planned unit development. Amendments to the PUD in 1983 were bitterly opposed by some of the island’s residents.

On February 6, 1987, Russell and his associates filed suit in the Charleston County Court of Common Pleas for a temporary injunction seeking to put a stop to the incorporation efforts. Simultaneously Russell asked the court to render a declaratory judgment as to the legality of incorporation alleging that neither the Secretary of State’s Office nor the Seabrook Election Commission had followed the required statutory procedure to form the town. Specifically, Russell alleged that the petitions contained an insufficient number of signatures, and that some of the signatures were invalid. Proponents of incorporation alleged that Russell was more concerned about obtaining the approval of Charleston County for his two projects before incorporation

³² News and Courier, August 16, 1987



*Temporary golf facilities while the
Beach and Cabana club was being built*



*An architectural rendering of
The Seabrook Island Beach and Cabana Club*

photos provided by:
Bob and Frances Zimmerman

the History

was finalized and control over zoning was transferred to the Island's residents. Seabrook residents had gone to court to block Russell's proposed construction of two multifamily projects – Deveaux Villas, proposed on an acre on the southern end of the island; and Seabrook Trace planned around a lake near the front gate – both of which would be twenty feet higher than any building on the island, but had been approved by the county planning staff.³³ Matters became further complicated when a number of the island's residents sought and obtained a temporary injunction delaying the vote on incorporation until the court could decide if the proposed town could continue to use the security gate to bar access to Seabrook Island. They contended that the residents who signed the petition for incorporation did not realize the security gate might have to come down. The temporary injunction was overturned by the court in April.

The U.S. Department of Justice gave its approval for the election to proceed on May 19th. Eighty-five percent of the registered voters of the proposed Town of Seabrook Island went to the polls and approved incorporation by a 341-65 vote. At the same time the voters approved the town's official name, a mayor / council form of government, two-year terms for elected officials and non-partisan candidates in at-large elections.³⁴ The results of the election were filed the following day, and on May 26th, the Secretary of State issued the certificate of incorporation. This action created a "legal entity," but the town's charter would not become effective until after the mayor and council were elected and sworn in.

On August 13, 1987, the court denied Russell's request for a permanent injunction and the election of town officials was allowed to proceed. In its decision, the court held that the developers did not prove the election would cause them harm. The judge did note that there was merit to that part of the case which challenged incorporation³⁵. When the election was held on August 18th, the town's only voting precinct was a moving van provided by Palmetto Moving and Storage parked at the Bohicket Marina on Seabrook Island Road³⁶. Ten candidates for mayor and council ran in the first election. Four hundred and forty-one votes (78% of the registered voters) were cast.

³³ The News and Courier, May 13, 1987

³⁴ The News and Courier, May 20, 1987

³⁵ News and Courier, August 14, 1987

³⁶ New and Courier, August 18, 1987

Joel Thompson was elected the Town's first mayor. The first four elected councilmen were Richard Rakovich, David Hughes, Thomas Semmens and Marie Stonehouse. Russell's litigation continued for a number of years and was not finally resolved in favor of the town until the spring of 1988.



The 14 green of The Ocean Winds Course has been described by a noted lanscape architect as one of the most beautiful in America. He was impressed with its human scale and the manner in which the natural amenities have been saved.



*Photo of the 13th green on Ocean Winds and the 14th tee box just a stone's throw away from the ocean.
Photo is from 1985 Seabrook Island Real Estate marketing materials.*

top photo provided by Bob and Frances Zimmerman
bottom photo provided by Dick Clarke



Prelude to the Formation of the Club / the Equity Conversion Committee

In retrospect, Russell's timing on the purchase of Seabrook's amenities and undeveloped properties in the mid 1980's proved to be very unfortunate. Shortly after the purchase from Kessler was consummated, the real estate market began to weaken and Russell began to experience financial difficulty. An early indication of Russell's financial problems was his attempt to raise additional capital through an offering of shares / units / memberships in his development company to Seabrook Island property owners at a price of \$25,000 per unit. Many of the Seabrook's property owners participated in the offering, some buying multiple units. When Russell's company went bankrupt, these investors became creditors of the bankruptcy estate and ultimately lost their investments. This created a great deal of confusion when the Club was eventually formed, because some of these property owners felt they had already made their equity contributions to Russell. Of course, those contributions were to an entirely different entity and of no value to the Club.

Early in the following year, the SIOC and the SIPOA announced that as of January 1, 1988, all of the recreational facilities on the Island would be placed under the control of Club Corporation of America ("CCOA"). At the same time, and presumably as a result of Russell's precarious financial condition, the SIOC also made known that it would work with representatives of SIPOA to determine the feasibility of transferring the golf courses, tennis

courts and other recreational facilities on the Island to a member owned country club.³⁷ This was apparently the first indication of an effort on the part of property owners to form a private club on Seabrook Island. The SIPOA Board of Directors also announced at its annual meeting of property owners in February of 1988 that the SIOC had agreed that it would work with a committee of property owners to determine the feasibility of an equity buyout of the Island's amenities by the property owners.

A group of property owners comprised of the (i) SIPOA Board of Directors, (ii) 1988 SIPOA Board of Directors nominees and (iii) the 1987 SIPOA Nominating Committee, selected a slate of thirteen property owners to serve on the Equity Conversion Committee (the "ECC"). The SIPOA Board of Directors retained the law firm of Hyatt and Rhoads in Atlanta to represent the ECC.³⁸ On February 25, 1988, the SIPOA Board of Directors appointed a slate of nominees to serve on the ECC, including: William Dalton, Earl French, Keith Fuller, Fred Zahrn, Charles Pingry, Gail Marrone, Frank Santillo, Dorothy Anderson, Dean Stewart, Robert Ferguson, Michael Fox, Robert Giuffreda, William Whitner, Edward Shockley and Claire Allen. The ECC consisted of two members of the SIPOA Board of Directors, seven resident property owners and six non-resident property owners. SIOC agreed to reimburse the SIPOA up to the amount of \$45,000 for the Equity Conversion study and to reimburse it for any expenses other than legal fees which were incurred by SIPOA in the effort.³⁹ SIOC retained an attorney experienced in equity buy-outs, Dennis W. Hiller, to represent it in the proposed transaction. Shortly thereafter, it was noted that SIPOA's representatives had met with Hiller and that the first meeting the ECC had been held on February 25, 1988.

As part of its due diligence, Hyatt and Rhoads conducted a series of property owner interviews beginning in March



photo by Bob Hider

³⁷ The News and Courier, January 14, 1988

³⁸ Annual Meeting minutes, February 13, 1988

³⁹ SIPOA Board of Directors minutes, April 18, 1988

of 1988.⁴⁰ In addition, the ECC arranged to conduct physical inspections of SIOC's facilities, including the golf courses, tennis courts and equestrian center. In May of 1988 SIOC entered into agreements with ninety-four of the Island's residents who had each purchased minority equity interests in the company. In those agreements, the SIOC agreed that if SIPOA's equity conversion effort was successful, a portion of the proceeds received by SIOC would be used to redeem the investment of the Island's property owners in the company. The ECC was aware of these agreements, but assured potential equity members that it would not take Russell's commitment to the ninety-four investors into consideration in its evaluation of the opportunity to purchase the amenity assets.

The ECC and the SIPOA reached an understanding in September of 1988, whereby if an equity conversion effort was successful, the ECC would convey a number of properties to the SIPOA including the Beach Trust, Crab Dock, drainage easements and lakes (not on the golf course). The SIPOA Board of Directors accepted and supported the efforts of the ECC, and directed that a letter be sent to all property owners to that effect.⁴¹ In October, the SIPOA Board of Directors appointed a Board of Governors / Designates to the ECC as replacements for all then current members previously appointed by the Board of Directors.⁴²

A month later, the ECC reported that it was holding a number of meetings throughout the country with Seabrook Island property owners in an effort

to solicit equity participations for purposes of funding the purchase effort, and that property owner response to the Equity Conversion plan had been generally positive. Deposits made by property owners on equity memberships were to be placed into escrow by the ECC.⁴³ However, in January of 1989 the equity conversion effort hit a



photo by Bob Hider

⁴⁰ SIPOA Board of Directors minutes, March 21, 1988

⁴¹ SIPOA Board of Directors minutes, September 16, 1988

⁴² SIPOA Board of Directors minutes, October 5, 1988

⁴³ SIPOA Board of Directors minutes, October 17, 1988

major stumbling block, and the ECC reported to property owners that a dispute had arisen between it and Mr. Russell with respect to the money being held in escrow, and that the ECC had consulted with its retained outside counsel in that regard.⁴⁴ Shortly thereafter, the Island's property owners were advised by SIPOA that the Equity Conversion Plan had failed, when SIOC President Robert B. Russell, Sr. withdrew his offer to sell the amenities to the property owners.⁴⁵

As a consequence of the failure of the efforts of the ECC, later in January of 1989 the SIPOA Board of Directors appointed a "Where Do We Go From Here" or "What Next" committee to determine what, if anything might be done to continue the effort to purchase the amenity assets from SIOC.⁴⁶ At the conclusion of its study and deliberation the What's Next Committee developed and proposed a list of "what ifs" to the SIPOA Board of Directors identifying contingency actions in the event the SIOC should file for bankruptcy.⁴⁷ On the advice of its counsel, the SIPOA sent questionnaires to property owners to gather demographics, to determine interest in the purchase of the SIOC amenities and to ask if the property owners subscribed to the Equity Conversion, and if not, why not. The purpose of this questionnaire was to assist in the determination of whether SIPOA should reinstate the equity conversion effort or whether the matter should be dropped.⁴⁸ The result of the questionnaire showed that seventy percent (70%) of the responding property owners favored the continuation of the SIPOA's effort to purchase the amenity assets.⁴⁹

After this extensive survey of property owners was completed and analyzed, the SIPOA Board of Directors concluded that there remained strong support among the Island's property owners to continue the effort to purchase SIOC's amenities and to organize a private country club.⁵⁰ An independent study group was formed by SIPOA to approach Mr. Russell

⁴⁴ SIPOA Board of Directors minutes, January 9, 1989

⁴⁵ The Club at Seabrook Island Membership Plan

⁴⁶ Members of the Committee were: William Whitner, Charles Pingry, Curtis Judge (Chairman), Russell Newton, Claire Allen, Frank Gillespie, Bob Ferguson, William Wire and Mary Lou Stonehouse

⁴⁷ SIPOA Board of Directors minutes, January 16, 1989

⁴⁸ SIPOA Board of Directors minutes, April 17, 1989

⁴⁹ The Club at Seabrook Island Membership Plan

⁵⁰ SIPOA Board of Directors minutes, May 30, 1989

and attempt to negotiate a reasonable purchase price for the amenities. Russell indicated to the group that he had a number of “hot” prospects for the purchase of the club and put the discussions with the property owner representatives in abeyance while he pursued discussions with these third parties.

In February of 1989, Western Conference resorts filed a lawsuit against Robert Russell alleging that Russell had fallen behind in payments to it, and libeled the firm which had managed the Seabrook amenities in the mid-1980s. According to the suit, the SIOC had been consistently and substantially behind in its payments which in turn caused the resort company to have financial difficulties. Western also alleged that Russell libeled the company by writing a letter to property owners in March of 1988, claiming that Western was being replaced as management agency because of its inability to operate satisfactorily. Russell had earlier sued the management company for over \$3 million alleging that the company had failed to stay within budget and that its mismanagement had caused SIOC significant damages.⁵¹

⁵¹ News and Courier, March 10, 1988



Seabrook Island Associates

The SIPOA Board of Directors was advised by lawyers representing the minority shareholders of SIOC (including the Seabrook property owners that had purchased the minority interests in SIOC previously offered by Russell) that the lawyers believed it was imperative that SIPOA create an entity independent of the property owners association which could be used to make a bid for the SIOC amenities should some event occur that would make such a bid a possibility. Since the SIPOA represented all of the property owners, some of whom would not want to subscribe to an equity interest in a private club, counsel suggested that this separate legal entity would be in a better position than SIPOA to act as the prime mover of the equity conversion effort. In accord with that recommendation, SIPOA caused Seabrook Island Associates (“SIA”) a South Carolina non-profit corporation to be incorporated on June 19, 1989. The purpose of the SIA was to pursue the objectives and recommendations of the “What’s Next” Committee, i.e., the committee that SIPOA had formed after discussions with Russell regarding the purchase of the amenity assets were terminated.⁵² The mission of SIA was to follow and evaluate the progress of the SIOC’s efforts to sell the Island’s amenities to third parties, with the ultimate objective of coordinating a program with the property owners to purchase the Island’s amenities should they become available.

SIA’s organizational meeting was held on October 27, 1989, for the purpose of electing the organization’s Board of Directors. Initially, thirteen (13) property owners were elected to the SIA Board of Directors, five (5)

⁵² SIPOA letter to property owners dated March 1990

of whom were non-residents. The initial Board of Directors of Seabrook Island Associates consisted of David Delph, Richard Eckert, Robert Ferguson (president), Stephen Haynes, David Lambert, Craig Lewis, Charles Pingry, William Plunket, Jr., Robert Saunders, L. Gene Stohler, James Talmage, Thomas Waylette and William Whitner. Peg Theoharous and Pat Brooke were added to the SIA Board of Directors at a later date.

The SIPOA Board of Directors believed that “further delay and indecision regarding the ownership and management of the amenities [was] clearly not in the best interest of the Seabrook property owners, the club members or of the SIOC creditors.” Accordingly, in March of 1990, the SIPOA Board urged property owners to consider the equity ownership proposal contained in a letter it was distributing on behalf of SIA.⁵³ The SIA letter asked property owners to make a tentative decision on acceptance or rejection of the membership plan.

After considerable discussion by and debate among the property owners, on November 11th, the SIPOA Board of Directors formed a separate committee of property owners and directed it to prepare an acceptable plan for the property owners’ purchase of the SIOC’s amenities. Members of this committee were: Joe Hall (SIPOA director), Bill Dalton, Doug Plate, Chuck Pingry (SIA director), Fred Zahrn and Bill Whitner (SIA director). The committee met, and among other things suggested a plan put together by Fred Zahrn which included membership categories, equity fees and dues.⁵⁴ The plan, dated November 16, 1989, described, among other things, (i) the purpose of the Club, (ii) the facilities to be purchased (described in detail in schedule I of the plan), (iii) the prices of the equity memberships (detailed in schedule II of the plan), (iv) a limit of 1800 memberships to be sold, (v) anticipation that in excess of \$8.5 million would be raised by the sale of memberships and the uses to which the funds would be put and (vi) the election and functions of a Board of Governors. The goal of the plan was to solve or alleviate most of the problems which caused the 1988 equity conversion effort to fail, including: (a) no established acquisition cost for the Club, (b) animosity towards Russell, (c) failure to recognize the position

⁵³ SIPOA letter to property owners dated March 1990

⁵⁴ Letter from William C. Whitner to SIA Board of Directors, November 22, 1989

of non-residents or the owners of undeveloped lots and (d) concern about assessments for operating losses.⁵⁵

The SIPOA Board of Directors supported the committee's plan to purchase the SIOC amenity assets. The board agreed to provide necessary and available resources to make the effort to purchase the SIOC amenity assets successful if the anticipated bids for the assets from third parties, including the bid anticipated to be made by Breckenville Management Corporation ("BMC"), either did not materialize or were not accepted by SIOC.⁵⁶ After endorsement of the plan by the Boards of Directors of both SIPOA and SIA, it was agreed that that SIA would further refine the plan, but that the plan would be held in abeyance pending the outcome of the anticipated BMC offer to purchase the assets.

While BMC and SIOC continued their negotiations, the SIA continued its background work and attempted to build upon the "due diligence" work which had been performed by the ECC, and among other things, engaged the services of Hyatt & Rhoads P.C. (the same law firm which had earlier been retained by the Equity Conversion Committee), and Pannell Kerr Forster, CPA, two Atlanta law firms that specialized in helping property owners form equity clubs. In addition, the SIA had contracted for two independent economic analyses of the properties it proposed to acquire.⁵⁷

The SIA's business model anticipated that if it succeeded in purchasing the SIOC's assets, it would assign the contract and purchase rights to the Club (an entity which at that point in time had not yet been formed), and SIA would be dissolved. The business model also suggested that the Club would concentrate on the resort rental business and small conferences and meetings. Large scale, mainstream conference business would not be a target market. SIA projections indicated that the large conference business would generate significant losses at least for the first five years and competing with Kiawah Island's conference business for this market segment would be difficult at best. It was also anticipated that the Club would not operate the resort rental business itself, but rather a rental management company would be retained. The responsibilities of the rental management company would

⁵⁵ Fred Zahrn memo to SIPOA – SIA Liaison Committee dated December 29, 1989

⁵⁶ SIPOA Board of Directors minutes, October 16, 1989

⁵⁷ Business Plan for Seabrook Island Associates, revised as of January 1, 1991

include operation and oversight of the villa rental programs, the children's recreational program and the small specialized group meeting business.⁵⁸

About this time, the SIA's attorneys began circulating initial drafts of a membership plan, while at the same time the SIA Board of Directors began financial modeling of the Club's anticipated operations and membership funding requirements.

photos by Curtis Krueger



Bankruptcy of the Seabrook Island Ocean Club

 Given its continuing financial difficulties, not unexpectedly, on September 20, 1989 the SIOC filed for protection under Chapter XI of the United States Bankruptcy Code in Charleston.⁵⁹ Ominously, the very next day, hurricane Hugo hit the city of Charleston. While Seabrook suffered some damage, far greater damage was reported in Charleston and its surrounding suburbs including Mount Pleasant, Sullivan's Island, Isle of Palms and Goose Creek. One month later, on October 19th, a bankruptcy judge approved the terms of Bank South's \$1.9 million "super-priority" debtor-in-possession financing for working capital to the SIOC to allow it to continue in operation while it attempted to find a buyer for its

⁵⁸ Business Plan for Seabrook Island Associates, revised as of January 1, 1991

⁵⁹ In fairness to Russell, and as further evidence of the financial difficulties experienced by the resort and conference business in this part of the country, it should be noted that two years after the SIOC bankruptcy filing, the Landmark Land Company which at the time owned, among other resort assets, the recreational amenities and non-residential sites of the Kiawah Island resort, also declared bankruptcy in 1991



1989, Beach erosion in front of the Beach Club villas caused by Hurricane Hugo



November 1989, Fisherman in the 20 foot deep channel off Seabrook Island after Hurricane Hugo

photos provided by
Bob and Frances Zimmerman

the History

assets.⁶⁰ At the time Bank South was SIOC's primary lender. Under the terms of the Bank South "super-priority" loan agreement, SIOC was required to submit a reorganization plan on or before December 15, 1989. SIOC had proposed that the reorganization plan be built around the offer previously made by Breckenville Management Corporation to purchase the assets as noted above.⁶¹

The bankruptcy court had previously approved BMC as manager of the Island's amenities until such time as the resort properties were either sold to BMC or to some third party. On September 19th, a day prior to the bankruptcy filing the SIOC and BMC had entered into a purchase agreement whereby BMC (now known as Breckenville-Seabrook Inc.) would purchase substantially all of the SIOC's assets for approximately \$21.6 million.⁶² The bona fides of the purchase agreement were met with some skepticism by SIA and others because the agreement was contingent on BMC's ability to obtain financing in excess of \$20 million.⁶³ At this point, SIA believed its best strategy was to continue in its efforts to prepare and distribute an equity conversion plan for use as part of an overall alternative reorganization plan in the event either the contingencies associated with the pending BMC offer or alternative offers to purchase the SIOC assets failed to materialize. SIA believed that the equity offering should be organized as quickly as possible, without waiting to see whether BMC was able to obtain its required financing,

because if the BMC offer collapsed, it would be unlikely that the bankruptcy court would allow SIA the time necessary at that point to conduct an offering to the property owners.

A ruling by the bankruptcy court on February 20, 1990, gave BMC thirty (30) days to come up with a firm purchase



photo by Bob Hider

⁶⁰ The News and Courier, October 10, 1989

⁶¹ Amenity Purchase Outline Prepared by the Island Property Company, November 16, 1989

⁶² Breckenville-Seabrook Inc., had been working toward a purchase of the SIOC assets since at least February of 1990

⁶³ Amenity Purchase Outline Prepared by the Island Property Company, November 16, 1989

agreement with no contingencies, and an additional thirty (30) days to close on the transaction. The bankruptcy court ruled that if BMC did not close a transaction with SIOC within the mandated sixty (60) day period, the automatic stay of proceedings would be lifted and Bank South would be allowed to finalize the foreclosure process. BMC's efforts to purchase the assets suffered a serious setback when Bank South decided it would not allow BMC to assume any of SIOC outstanding debt as part of the consideration for the sale.

Attorneys for the bank indicated that it would support any transaction which would net the bank \$11 million, and encouraged SIA to proceed with its efforts to solicit Seabrook Island's property owners with a membership offer to fund the purchase of the SIOC's amenities. At this point SIA was ostensibly supporting BMC's efforts to conclude its transaction with the bank, while at the same time the SIA was preparing for the contingency that BMC's efforts would fail and that it would then have an opportunity to negotiate directly with the bank. Attorneys for SIA suggested that encouragement from property owners and favorable response from SIPOA to the draft of a membership plan could put SIA in a favorable position with the bank.⁶⁴

By mid-March, 1990, BMC had failed to meet the bankruptcy court's imposed deadline of February 20, 1990, for obtaining a financial commitment to complete its purchase of SIOC's amenity assets. BMC complained that it was having difficulty with Robert Russell, the principal of the SIOC, regarding matters associated with the proposed transaction. Specifically, BMC alleged that there were liabilities included among the obligations it was being asked to assume that were more correctly liabilities of Russell's other operations and not part of the bankruptcy proceeding. As a result, and in accordance with its previously developed strategy, SIA sent a letter to Seabrook Island's property owners stating that Breckenville's attempts to purchase SIOC's assets had failed, and that SIA was initiating its own efforts to purchase the assets through the bankruptcy court. Inasmuch as the Breckenville contract was no longer a factor, SIA believed it could proceed in a more open and less restricted manner to solicit interest in forming an equity club (the "Equity Conversion Plan"). SIA stated that the ownership of the Seabrook Island

⁶⁴ Letter from Jonathan F. Young to William C. Whitner, February 22, 1990



amenities by the property owners was the only workable solution to the Island's long standing problems.

In April of 1990, the SIOC petitioned the bankruptcy court to provide it with free access through the SIPOA gate, claiming that deeds conveying the roads to the POA provided for free access to the company. The petition also claimed that the 1987 incorporation of the Town of Seabrook allowed for public access. The court ultimately denied SIOC's petition.

SIA first sent a letter to property owners asking for their "tentative" decisions on acceptance or rejection of a membership plan to fund the purchase of SIOC's assets. If the property owner agreed to the membership plan, he or she was asked to send SIA a check for \$1,500 which would be held in escrow and be fully refundable if the property owner ultimately did not agree with the terms and conditions of the complete and final membership document which SIA promised to circulate at a later date. The SIA's letter included a summary of the offering of membership in the Club (e.g., membership rights, voting rights, transfer of memberships and cost), and asked property owners to sign an "Amenity Purchase Deposit Agreement."⁶⁵ Bob Ferguson, SIA President, in a letter to Seabrook Island property owners stated that "We have a unique and special place in Seabrook Island. That is why most of us chose it in the first place, but regrettably under the present ownership the facilities . . . continue to deteriorate. We [SIA] can see no

rationale for major improvements under the next series of owners." Property owners were also told that both the SIPOA and SIA board of directors were urging property owners to participate in the Equity Conversion Plan.⁶⁶ Ferguson stated that the SIA board did not propose operating the resort and conference facilities on a day to day basis, and that it was interviewing several professional management companies. In response to questions as to why Seabrook Island

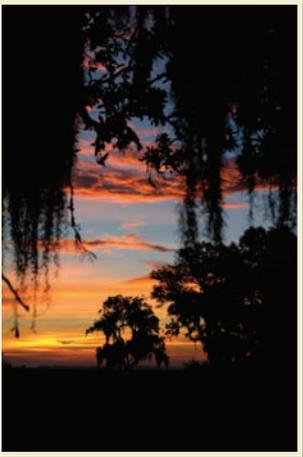


photo by Bob Hider

⁶⁵ Seabrook Island Associates, Equity Conversion Plan

⁶⁶ Seabrook Island Associates, letter dated April 20, 1990

Associates thought it could succeed where others – specifically SIOC - had failed, SIA said it anticipated operating on essentially a break even basis and experienced property owners would be overseeing all the operations.

Under the Equity Conversion Plan, memberships in the Club were to be offered to (i) property owners of both Seabrook Island and Bohicket Marina Village residential communities (the “Eligible Communities”) on the basis of one membership per lot, and (ii) members of the Club who were not property owners in either of the Eligible Communities. During an initial ninety (90) day offering period each individual who owned a residential unit or property in one of the Eligible Communities was offered an equity membership in the Club. Property owners who did not acquire an equity membership during the initial offering period would still have an opportunity to acquire an equity membership, if available, at a later date at the then prevailing rate.⁶⁷

The SIA believed that it needed two out of three Seabrook property owners solicited for membership to subscribe to the membership program to give it the financial margin that would be needed.⁶⁸ As noted above, the SIA’s plan was to limit the number of memberships being offered to 1800, given the anticipated use of the amenities and the limitation of space. Subsequently, the anticipated maximum number of equity memberships which would be offered by SIA was reduced to 1400. It is important to note that notwithstanding the membership limitations provided for in the Equity Conversion Plan and other Club documents, no limitation on the number of members was ever written into the Club’s By-laws. At the same time the deadline for expiration of the initial offering period was extended to June 15, 1990.⁶⁹

Throughout, the SIA was only interested in purchasing the sports amenities and not the unimproved / unsold lots which were owned by SIOC at the time of its bankruptcy. A number of property owners questioned why the SIA did not scale down its objectives even further and, for example, purchase only one of the golf courses and the tennis center. The simple answer was that Bank South was not willing to sell the assets in a piecemeal fashion. Other property owners asked why the SIA didn’t increase the scale of

⁶⁷ Seabrook Island Associates, Summary of Proposed Offering of Memberships

⁶⁸ Seabrook Island Associates, letter dated April 20, 1990

⁶⁹ Seabrook Island Associates, letter dated May 18, 1990

its effort and purchase all of the assets, including the unsold and unimproved lots, and then sell these lots off and reduce the investment in the amenities. Again, the simple answer was that the SIA wanted to keep the upfront capital commitment to a minimum and recognized that the sale of the unimproved lots could take some time. The SIA did not believe that the Club should be in the business of owning real estate. As noted below, the unimproved lots were foreclosed shortly thereafter by River City Savings Bank. Other property owners asked why some of the assets – particularly the equestrian center – could not be sold in an effort to raise the necessary cash. The SIA responded by saying that if it did sell the equestrian center it would not have as much to offer to a broad spectrum of members and guests. In addition, it thought that a sale of the equestrian assets could jeopardize the Island’s controlled access.⁷⁰

Notwithstanding the failure of its earlier efforts, the only other prospective purchaser for the SIOC’s amenities at that time, BMC, continued to try to put the necessary financing together for the project, and was reportedly trying to obtain a financial commitment from Nippon Equities, a Japanese Investment firm.⁷¹ At the same time in May of 1990, SIA believed that it had raised sufficient funds to make equity conversion a realistic goal. With the positive responses it had already received SIA believed that it was in a position to make a bona fide bid for Seabrook’s amenities. Notwithstanding, to ensure that it had the financial cushion it thought necessary to support the purchase, it wanted an additional 250-300 membership “commitments.”⁷²

At first, SIA stated that it would be financially sounder under equity ownership to emphasize the resort business and de-emphasize the conference activities, because it thought that to be fully engaged in the conference business would require a large service staff and heavy promotional expense. SIA thought it could significantly improve upon the volume of villa rental business by concentrating on resort activities and stressing golf and tennis programs.⁷³ A number of property owners reacted adversely to this proposal. In particular, many villa owners urged reconsideration of this issue as

⁷⁰ Seabrook Island Associates, letter dated May 18, 1990, Question and Answers About Equity Conversion

⁷¹ Seabrook Island Associates, letter dated April 20, 1990

⁷² Seabrook Island Associates, letter dated May 18, 1990

⁷³ Seabrook Island Associates Newsletter, May 18, 1990

they believed that the operation of a conference and resort program was critical to the economic success of the villa owner-investors.⁷⁴ The original business model which suggested a de-emphasis of the conference business was not adopted, as SIA eventually concluded that villa owners would not participate as members of the Club unless their needs were addressed from the very beginning.⁷⁵ Accordingly, and as noted below, the Club went into the conference business very heavily. After suffering significant losses from that line of business, the Club ultimately decided to withdraw from the conference business for many of the reasons SIA had originally cited in its newsletter.⁷⁶ BMC's efforts to solidify its financing proceeded too slowly as far as Bank South was concerned, and on June 8, 1990 the bank initiated a foreclosure action to obtain control of the assets.

By July of 1990, Seabrook Island Associates announced that the first phase of its amenity acquisition program had closed two weeks earlier on June 15th and the deadline for acceptance of tentative charter memberships had expired. SIA stated that the response from Seabrook Island's property owners was "slightly in excess" of its earlier projections.⁷⁷

On July 27, 1990, SIA made its first formal offer to Bank South to purchase the SIOC assets. The offer was in the amount of seven million one hundred thousand dollars (\$7,100,000), and consisted of \$5.7 million which was to be paid in cash, and \$1.4 million which was to be paid from one-half of the proceeds SIA anticipated receiving from the sale of new memberships. The offer was made contingent on approval by the bankruptcy court and on SIA's ability to raise funds through the offer of equity memberships in the

⁷⁴ Letter from Michael Fox to Robert Ferguson, May 29, 1990

⁷⁵ For example, the Board of Directors of Atrium Villas sent a letter to Robert Ferguson advising SIA of its opposition to and protest of any ownership / operating program for Seabrook Island which did not include an active and successful conference resort business operations. It is believed that the operation of a conference program was essential to both Seabrook Island and its property values.

⁷⁶ Seabrook Island Associates Newsletter, May 18, 1990

⁷⁷ Seabrook Island Associates Newsletter, July 17, 1990



photo by Bob Hider

Club. The bank did not respond to this offer.⁷⁸

In early August, a “mysterious” investor was reputed to be the financial backer of a partnership that had agreed to pay \$17 million to buy the SIOC properties which could permit the amenity assets to emerge from bankruptcy. According to a purchase agreement which had been obtained by The Post and Courier, the proposed buyer was South Carolina Ocean Properties. Porpoise Enterprises was listed as the general partner. To make matters more intriguing Robert Russell was listed as president of Porpoise Enterprises. The agreement was made conditional on South Carolina Ocean Properties arriving at a financial commitment before August 28th that would be satisfactory in substance to the buyer’s limited partner – Stanley Friedman, an international financier. Questions were raised with respect to the agreement which specified that a commission was to be paid to a broker in Beaufort. When contacted, the broker denied knowing anything about the transaction.⁷⁹ The offer obviously never got beyond the stage reported in early August.⁸⁰

By late August of 1990, it appeared to Bank South that the alternative of a sale of SIOC’s assets to BMC, South Carolina Ocean Properties or other third party was proving to be fruitless. It likewise appeared that the bank was not taking SIA’s offer seriously. Accordingly, on application of the bank, the bankruptcy court ruled that the assets should be placed under the control of Kevin Campbell, a federally appointed trustee. At the same time the bankruptcy court allowed Bank South to proceed with its foreclosure of the assets which had been pledged as security for its loan to SIOC. The bankruptcy trustee was given immediate authority to dismantle SIOC’s assets and sell them individually.⁸¹

One of the collateral issues of the SIOC bankruptcy concerned the disposition of eleven (11) parcels of real property on which SIOC had failed to pay taxes. Because of these



photo by Bob Hider

⁷⁸ Letter from Jonathan Young Esq. to James R. Marland, Esq. dated July 27, 1990

⁷⁹ Seabrook Island Investment Monitor, July, 1990

⁸⁰ News and Courier, August 3, 1990

⁸¹ News and Courier, August 30, 1990

delinquent taxes, there was a possibility that Charleston Country could assume ownership of these properties and that SIPOA would be faced with the problem of a public entity owning property behind the gate. SIPOA ended up purchasing these properties which included 680 acres of marsh land.

While the bankruptcy proceedings were pending, Russell had a difficult time operating the resort assets on a profitable basis. Obviously fearful that the property which had been pledged by Russell as security for its loan was being compromised, Bank South requested the bankruptcy court to give it exclusive control over those assets, and proposed to close a number of the facilities.⁸² As a result of the bank's action, by October 1, 1990 the Island's resort amenities – including the swimming, golf, equestrian, tennis center and conference facilities - were essentially “moth-balled,” only about 10 of the SIOC's 130 employees retained their jobs, and Russell was no longer involved in the management of Seabrook Island.

The final step in the foreclosure process of the SIOC properties occurred in the South Carolina Court of Common Pleas on November 2, 1990. On that date, the mortgage holder, Bank South of Atlanta, bid the amount of its debt - \$11,517,000 for the SIOC amenities. The bankruptcy court master-in-equity kept the bidding open until December 3rd in the hope that additional bidders could be found. A Japanese group of potential investors inspected the facilities in late November, and according to Bank South, the group was expected to tender an offer for the assets by the end of the year. Another group, this one represented by singer Kenny Rogers, visited the Island in early December and purportedly had indicated strong interest in purchasing the facilities. SIA continued to be hopeful that Bank South would eventually conclude that it was the only viable buyer.⁸³ Notwithstanding that expression of interest from third parties, following the submission of its bid, Bank South asked the SIA's negotiating committee to meet with its representatives to discuss the possibility of purchase of the SIOC assets.⁸⁴

When none of the potential third party investors submitted bids for the property, the foreclosure process was concluded and Bank South was

⁸² News and Courier, September 19, 1990

⁸³ Seabrook Island Associates letter dated December 21, 1990

⁸⁴ Seabrook Island Associates, letter dated November 9, 1990

awarded title to the property on December 3, 1990. This included both golf courses, the two tennis centers, the Island House and Beach Club, the Equestrian Center, the Reception Center and Real Estate office, the Village Market and the building which housed the SIPOA offices. Also included were thirty residential lots and two small sized lots and SIOC's claim to the "disputed properties" which was also claimed by Kiawah Landmark Development Company.⁸⁵ Independent of this effort, Cooper River Savings Bank foreclosed on the undeveloped property at Seabrook, bidding \$2.5 million at a Charleston County Master-in-Equity foreclosure sale. With the foreclosure, Cooper River's holdings included virtually all undeveloped property formally connected to the resort, including "Lake Entry, Crooked Oaks and Bay Pointe tracts."⁸⁶

Following the foreclosure, SIA continued to actively pursue the purchase of SIOC's assets and in a letter to property owners described itself as being in a "strong competitive position."⁸⁷ On December 13th, representatives of SIA met with their counter-parts at Bank South. At that time, the bank's representatives indicated that the bank would not enter into serious negotiations with SIA until it had exhausted its efforts to sell the entire package for a purchase price in the range of \$10 - \$12 million dollars. By this time about 1,000 Seabrook property owners had expressed interest in participating in an effort to fund the prospective purchase by making a \$1,500 deposit against the purchase of an equity interest in the Club.

SIA continued to do a significant amount of behind the scenes work in anticipation of making yet another bid for the assets. In early January of 1991, SIA presented to potential Club members a comprehensive business plan (originally drafted in June of 1990) should it be the successful purchaser of the amenity assets. The business plan described in detail the Club's proposed operation of the assets, including: (i) renovation and improvement of the facilities, (ii) operation of the amenities, (iii) operation of the resort rental business, (iv) operation of the conference business, and (v) operation of the equestrian center. The business plan also noted that in preparation of making an offer for the amenity assets, the SIA had (a) engaged the services

⁸⁵ Annual Meeting minutes, February 16, 1991

⁸⁶ News and Courier, undated article

⁸⁷ Seabrook Island Associates, letter dated October 11, 1990

of one of the country's leading attorneys in resort "equity conversion" as well as the services of a respected local law firm; (b) obtained two independent economic analyses of the property SIA proposed to acquire; (c) negotiated with resort rental management and operating companies who would be responsible for the promotion and day-to-day operation of the villa rental program; (d) negotiated with club management firms who would manage the Club's facilities and (e) developed a business plan for the acquisition and operation of the amenities.⁸⁸

As is the case in the negotiation of any transaction, SIA experienced a number of "highs" and "lows" in early 1991 during the course of its discussions with Bank South representatives. SIA received encouragement on January 15, 1991 when Bank South requested it to submit a written proposal for the purchase of the amenities.⁸⁹ In response to that request, the SIA made its second offer to purchase the assets. That encouragement was dampened a week later when Bank South informed SIA that while certain aspects of the proposal it had submitted were found to be acceptable or could be worked out, the purchase price that it had offered – essentially what SIA had offered six months earlier - was too low. Later in January of 1991, the bank increased the pressure on SIA by opening the two golf courses, one tennis operation, the Island House restaurant and the Bohicket Lounge during the day and the Island House at night, the villa rental program, the pools and beachfront area.⁹⁰ SIA sent a letter to property owners urging them to withhold their participation in the use of the assets. SIA stated that the only reason the bank was willing to reopen SIOC's assets was to increase the value of the assets to prospective third-party purchasers (other than SIA) which was obviously not in SIA's best interest. By this time SIA was no longer supporting



photo by Bob Hider

⁸⁸ Seabrook Island Associates Business Plan dated January 7, 1991

⁸⁹ Seabrook Island Associates Newsletter, February 4, 1991

⁹⁰ SIPOA Board of Directors minutes, January 21, 1991

the BMC proposal to purchase the assets and stated that “We believe that the bank, Breckville or any other for-profit owner will open the amenities to the public . . .”⁹¹ Instead, SIA wrote a letter to Bank South expressing frustration that the property owners were being asked to fund the bank’s efforts to sell the amenities to third parties through dues and user fees associated with continued operation of the assets. It stated that the bank’s operation of the assets was an “unsound banking and business practice” and that the property owners would rather not use the facilities at all than be used as part of a destined-to-fail business plan. The alternative solution was for SIA to purchase the amenity assets.⁹²

Later that month, Bank South informed SIA that it expected to receive a letter of intent for the purchase of the assets from an unidentified third party, and that the required purchase price for the two golf courses, tennis courts, equestrian center, Island House, Beach Club, swimming pools, convention center and real estate office would be \$9.5 million. SIA’s two prior offers for the facilities had been substantially lower than that amount. The bank indicated that it would be willing to wait the three to four months that SIA had informed the bank would be necessary for it to raise the required amount of cash from the sale of additional memberships, and that the bank would not require an earnest money deposit. The bank would, with some definition and discussion, accept a payment of a portion of the purchase price in the form of a sharing arrangement from the sale of future Club memberships. The SIA Board of Directors questioned the bona fides of the

purported third party letter of intent and believed that neither the group of investors headed by Kenny Rogers nor the prospective Japanese buyer was expressing real interest in purchasing the SIOC assets.⁹³ Accordingly, SIA authorized a counter offer to the bank, its third offer for the assets, in the amount of \$7 million. While this offer was less than the



photo by Bob Hider

⁹¹ Seabrook Island Associates, Newsletter, February 4, 1991

⁹² Letter from Robert Ferguson to Robert Guyton
Chairman of Bank South February 7, 1991

⁹³ Seabrook Island Associates Board of Directors
minutes, January 29, 1991

first two offers made by SIA, it did not defer payment of any portion of the purchase price.⁹⁴ This offer was rejected by the bank.

At this point, there were serious questions as to whether or not further negotiations with Bank South would be either possible or productive. The SIA “Negotiating Committee” (viz., Cal East, Dave Lambert and Bill Whitner) along with Bob Ferguson and Dick Eckert were authorized to travel to Atlanta to meet the representatives of Bank South in mid-February with a new “Adjusted Worth Offer” consisting of six million dollars (\$6,000,000) up front in cash, payments to be made from future sale of membership in the Club in the amount of four hundred and thirty thousand dollars (\$430,000) and a promissory note of one million two hundred and seventy thousand dollars (\$1,270,000), for a total of seven million seven hundred thousand dollars (\$7,700,000). At the same time, in order to give the Negotiating Committee some latitude in its negotiations with Bank South, it was given the discretion to offer up to eight million five hundred thousand dollars (\$8,500,000) for the amenity assets.

After much back and forth between the parties, by February 15, 1991, Bank South and SIA finally were able to reach agreement on the purchase price for the amenity assets. On that date, the SIA Board of Directors accepted the bank’s most recent counter-offer, and authorized the execution of a letter of intent for the purchase of the SIOC amenity assets for a purchase price of nine million five hundred thousand dollars (\$9,500,000) consisting of a cash payment of six million seven hundred and eighty-one thousand dollars (\$6,781,000), payment from the sale of future memberships in the aggregate amount of four hundred and nineteen thousand dollars (\$419,000) and a loan from Bank South in the amount of two million three hundred thousand dollars (\$2,300,000). As in its prior offers, the SIA required that the transaction be made contingent upon its ability to receive sufficient membership commitments from the Island’s property owners to make the deal “viable.” Cal East was instructed to telephone Bank South by February 19th to inform it of SIA’s decision. The call was to be followed by delivery of a signed letter of intent.⁹⁵

At the end of February 1991, M. J. Properties, the then owners of the Andell

⁹⁴ Seabrook Island Associates Board of Directors minutes, January 30, 1991

⁹⁵ Seabrook Island Associate Board of Directors minutes, February 15, 1991

Tract proposed to acquire an option for four hundred (400) memberships in the Club from the SIA for one million dollars (\$1,000,000), concurrently with SIA's purchase of the amenities.⁹⁶ The offer stipulated that M. J. Properties could resell the memberships to purchasers of single family residential lots to be developed on the Andell Tract.⁹⁷ SIA made a counter-offer, in which it proposed to sell two hundred (200) options tied to the marina lots at five thousand dollars (\$5,000) per option, to be exercised at a maximum of fifty (50) memberships per year.⁹⁸ Contemporaneously with the offer by M. J. Properties, International Conference Resorts of America ("ICRA") made an offer to SIA to manage the Seabrook amenities upon the conclusion of SIA's purchase of the SIOC assets from Bank South.⁹⁹ ICRA and M. J. Properties had a long-standing relationship through their joint ownership and operation of several executive conference centers and conference resorts in the United States. None of the options offered to M. J. Properties were ever exercised.

By March 1, 1991, SIA reported that negotiations with Bank South, while not final, had proceeded to a point where a first draft of an agreement to purchase the SIOC amenity assets from Bank South had been prepared by SIA's lawyer, and that the bank had requested a \$50,000 earnest money deposit. At that time it was expected that the final draft of the purchase agreement would be completed within the next several weeks. In the meantime, SIA continued to perform its due diligence through a "punch list" of matters that it needed to investigate.¹⁰⁰ SIA also reported that Bank South had agreed to suspend negotiations with other parties who might be interested in purchasing the assets. It had been rumored that offers for the SIOC assets had been submitted by Dallas-based Club Corporation of America and, as noted above, by Breckenville Management Co., of St. Louis, and that both offers involved more money than the SIA had bid, but less than the \$11.5 million the Bank was owed by SIOC.¹⁰¹

⁹⁶ We believe the "Andell Tract" refers to the Lock Harbor Marina project which never received zoning approval

⁹⁷ Letter from Robert A. Ferguson to SIA dated February 28, 1991

⁹⁸ Seabrook Island Associates Board of Directors minutes, March 5, 1991

⁹⁹ International Conference Resort letter to SIA dated February 28, 1991

¹⁰⁰ Seabrook Island Associates Board of Directors minutes March 1, 1991

¹⁰¹ The News and Courier, March 31, 1991

An important milestone was reached on March 18, 1991, when after extensive discussions, Seabrook Island Associates and Bank South consummated their negotiations, and entered into a definitive agreement under the terms of which SIA would purchase the two golf courses, the tennis courts and SIOC's other amenities for a purchase price of \$9.5 million. The agreement stipulated that the funds for the payment of the purchase price were to be raised through the offering and sale of equity memberships in the Club (property owners had been asked to make "tentative" decisions on memberships up to this point). The purchase agreement was subsequently amended by the parties to provide in part that the purchase price of \$9,500,000 would be paid as follows: (i) transfer by the buyer to Bank South thirty-eight (38) Full memberships in the Club for a credit of \$418,000; (ii) \$8,082,000 in cash at the time of closing and (iii) execution of a \$1,000,000 ten-year promissory note and first lien purchase money mortgage. The memberships offered to Bank South were to be the "highest membership classification offered by the Club." The bank would either have the right to transfer any such membership with any lots which it owned or would have the right to sell the memberships independently of such lot provided that in the latter case, the purchase price of the membership would not be less than \$11,000. Until such time as the membership was sold or transferred by the bank, the bank would not be liable for any dues in connection with such membership nor would it be liable for any regular or special assessment.¹⁰²

Shortly after it had signed the purchase agreement with Bank South, SIA sent a letter to those property owners who had been escrow subscribers, transmitting copies of the Membership Plan and offering each an opportunity to become a charter member of the Club. Each of the solicited property owners could become charter members of the Club by buying an equity unit at the initial

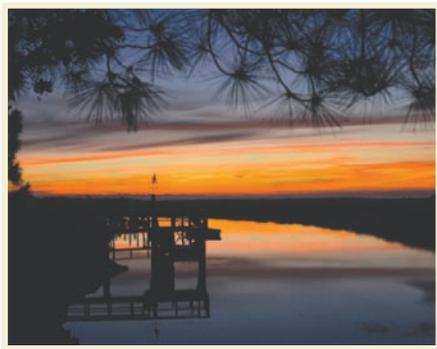


photo by Bob Hider

¹⁰² First Amendment to Purchase and Sale Agreement by and between Bank South N. A., and The Club at Seabrook Island

purchase price.¹⁰³ SIA stated that in doing so, property owners would join in taking control of “our Island’s destiny and in removing the ‘for profit’ developers and operators who have been pushing us around and dragging down our property values.”

photos by Curtis Krueger



Formation of the Club/SIA’s Membership Plan

As part of the purchase of the amenity assets, the name of the resort was to be changed to The Club at Seabrook Island (the “Club”). The SIPOA Board of Directors noted in its open board meeting immediately following the execution of the purchase agreement that “The closing of the sports and social facilities caused by the bankruptcy of the Seabrook Island Club [The Seabrook Island Ocean Club] has produced a substantial disruption of the lifestyles of many property owners as well as financial losses most evidenced by the decline of property values. The future of all property owners in these respects would have been uncertain unless the sports and social facilities were purchased by a buyer capable of operating these facilities in a competent manner and dedicated to the common good.” Accordingly, the SIPOA Board of Directors unanimously endorsed the efforts of SIA to consummate the purchase of the sports and social amenities owned by Bank South.¹⁰⁴

Two days later, on March 22nd, SIPOA sent a letter to all Seabrook

¹⁰³ Seabrook Island Associates Newsletter, April 4, 1991

¹⁰⁴ SIPOA Board of Directors minutes, March 20, 1991

property owners confirming the fact that SIA and Bank South had signed a purchase agreement, and informing property owners that SIA was in the process of putting together a Membership Plan which would be mailed in April. SIPOA's letter also advised property owners that if a sufficient number of equity memberships were sold, the Club at Seabrook Island would be incorporated and SIA would transfer the contract which it had entered into to purchase SIOC's assets to that entity. SIPOA's letter stated that the Board of Directors had unanimously endorsed "the efforts of Seabrook Island Associates to purchase the sports and social amenities currently owned by Bank South."¹⁰⁵ Local newspapers reported that nearly 1,000 property owners had contributed \$1,500 each as earnest money towards the buyout. The contributing deposits were to be credited towards the property owners' equity purchases.¹⁰⁶

SIA began its official membership drive in earnest in early April, and made a serious effort to solicit memberships from Seabrook Island residents and others under a program called "On Board in April" – in which it was looking for "a special group of members who will make an important contribution to the launch of The Club at Seabrook Island." A property owner could become an "OBIAer" if he or she committed to purchase their equity interest in the Club prior to April 30, 1991. There is a plaque on the wall of the Island House lobby that lists the names of all the OBIA Club members. The OBIAer's were considered the Club's "Charter" members, a classification different from the group of Founder members.

Club membership numbers were assigned according to the sequence in which applications with full payment were received by SIA under the On Board in April program. Under the Membership Plan, the so-called Charter members would pay \$16,000 for "Full" memberships and would have unlimited access to golf and tennis. The cost of a "Tennis" membership was set at \$10,000 and that of a "Social" membership at \$6,000. For non-residents, the Full membership was \$12,000, Tennis was \$8,000 and Social was \$5,500. The cost of Club membership for property owners who did not become Charter members within the initial offering period would be

¹⁰⁵ POA Hotline, March 22, 1991

¹⁰⁶ News and Courier, March 22, 1991

20% higher than the prices set forth above. The annual dues for resident Full members was set at \$2,860 a year, the dues for a Tennis member was set at \$1,990 and that for a Social member was set at \$870. The non-resident dues were \$1,700, \$1,200 and \$870 respectively.¹⁰⁷ Non-resident key contacts in 18 metropolitan areas around the country were briefed on the project. Representatives of Seabrook Island Associates began calling local property owners, answering questions and encouraging them to “get on board.”¹⁰⁸ The Board of Governors held a Club social event to recognize the “On Board in April” group of members “whose early support helped so critically in the equity buyout.”¹⁰⁹

The legal entity, “The Club at Seabrook Island” was formally incorporated with the office of the Secretary of State of the State of South Carolina on April 22, 1991.¹¹⁰ For reasons which are not fully understood, its wholly-owned subsidiary, Seabrook Island Real Estate Inc., had been incorporated several months earlier on January 31, 1991.

SIPOA reported to the SIA Board of Directors on a series of telephone calls it had received from property owners as a result of an unsigned letter, critical of the SIA’s efforts, which had been mailed to Seabrook Island property owners by a group called The Seabrook Island Non-Resident Coalition. The coalition was a group formed “as a response to the . . . announced SIA program and the unqualified endorsement of the SIA’s plan by the POA.”¹¹¹ It was decided that SIA would send out a newsletter reporting the progress it had made to date and answering, in question and answer format, the questions posed by the coalition’s letter. In the spring of 1991, the SIA received a letter from the Securities Commission of South Carolina asking whether the U.S. Securities and Exchange Commission had approved the non-registered offering of the Founders Membership Plan. The approval of both agencies of the offering of the Membership Plan had been a condition precedent to the SIA’s efforts to purchase the SIOC’s assets. Attorneys for the

¹⁰⁷ News and Courier, March 22, 1991

¹⁰⁸ Seabrook Island Associates, Newsletter April 29, 1991

¹⁰⁹ Club at Seabrook Sightings, July 1991

¹¹⁰ The name was formally changed to the Seabrook Island Club by a filing with the South Carolina Secretary of State’s Office on April 18, 2007

¹¹¹ Seabrook Island Non-Resident Coalition newsletter

Club were asked to respond to the State's inquiry.¹¹²

The initial meeting of the Board of Governors of the Club at Seabrook Island was held on April 29, 1991. The Board of Governor's first order of business was its formal acceptance of the certificate of incorporation of "The Club at Seabrook Island, Inc." The size of the Board of Governors was set at fifteen (15) members, and the following individuals were elected as the first interim Board of Governors: Richard Eckert, David Lambert, Helen Maxwell, Calvin East, Harold Bright, Patricia Brooke, Peg Theoharous, Robert Ferguson, Charles Pingry, Robert Saunders, James Talmage, William Whitner and Stephen Haynes. Appointments to the two vacancies were to be made at a later date. The following members of the Board of Governors were elected as the initial interim officers of the Club: Richard M. Eckhart (President), David M. Lambert (Vice President), Helen Maxwell (Secretary) and Calvin H. East (Treasurer). This group served as the Board for a period of a little less than two months. Early in the following June, the SIA appointed a second slate for the Board of Governors which would serve until the first annual members meeting. At the initial meeting, it was noted that the United States Securities and Exchange Commission had not issued the "no action" letter which attorneys for the Club had requested in connection with the offering of equity memberships. The purpose of the "no action" letter was to confirm that registration of the offered memberships as "securities" would not be required. Receipt of the "no action" letter was not expected for another several weeks. Accordingly, the Club's attorney suggested that the Club initiate a "Founders Membership Plan" including a potential for refund of the money received in the event the SEC should not rule favorably on the Club's request.¹¹³

Shortly thereafter, SIA distributed "The Club at Seabrook Island Membership Plan" to property owners in an effort to recruit additional Club members. The plan offered eligible



photo by Mary Delph

¹¹² Seabrook Island Associates Board of Directors minutes, April 23, 1991

¹¹³ The Club at Seabrook Island Board of Governors minutes, April 29, 1991

property owners an opportunity to purchase an equity interest in the Club at Seabrook Island, and noted that after it had reviewed the Membership Plan the Securities and Exchange Commission had agreed that a registered prospectus was not required.¹¹⁴ The Membership Plan stipulated that the Club was to be a private equity club owned and operated by its membership, and that the Club would operate golf, tennis, swimming, equestrian, social, resort and conference facilities at Seabrook Island. The plan also anticipated that it would cost the Club approximately \$1,100,000 to upgrade the purchased facilities to a level deemed appropriate.¹¹⁵ The instructions for applying for membership noted that NCNB South Carolina and Southern National Bank would make financing available to potential Club members. The plan offered six different types of equity memberships: Full, Tennis, Social, Rental, Unimproved Lot and Founders. Equity membership could only be sold by a member back to the Club, for a price equal to eight percent (80%) of the value of the membership at the time of resale. A membership application was distributed along with the plan. The application called for a deposit of one thousand five hundred dollars (\$1,500.00) which would be put into escrow with the understanding that if, in the sole discretion of the Club's Board of Governors, a sufficient number of applications were received to complete the acquisition of the Club's facilities from Bank South, the membership purchase agreement would become irrevocable.

SIA stated in the Membership Plan that it had signed a letter of intent with Club Operations and Management, Inc., ("COPM") to manage the

daily operations of the facilities. COPM was to provide the services of a professional manager who would report directly to the Club's Board of Governors. Similarly, the Club had signed a letter of intent with Ravenel Associates, Inc., to manage and operate the resort and conference business.

¹¹⁶ Ravenel subsequently terminated the letter of intent for what it described as



photo by Bob Hider

¹¹⁴ More accurately, the US Securities and Exchange Commission had left that decision to the securities commission of the state of South Carolina

¹¹⁵ The Club at Seabrook Island Membership Plan

¹¹⁶ Club Membership Purchase Agreement

“financial reasons.”

As noted above, the “Founder” memberships were offered by SIA as a result of a suggestion made at its initial Board of Directors meeting by the Club’s attorney. To become a “Founder,” a Charter member (viz., property owners who purchased a Club membership during the initial offering period) had to purchase a second membership. The advantage of being a Founder member of the Club was that the member would pay no dues, but would have the same privileges and voting rights as a full resident member. SIA stipulated that beginning in 1994, the Club would offer to repurchase the Founder memberships on an annual basis (viz., for every two new memberships sold, the Club would offer to repurchase one Founder membership). The repurchase price would be equal to the greater of either the original price paid by a Founder member or 80% of the price of a membership on the day of repurchase.¹¹⁷

The following Seabrook residents became Founding Members:

John H. and Patricia A. Caldwell
Curtis H. and Rosemary T. Judge
Charles Hill and Jeanne Mackay Anderson
Donald F. and Mary E. Moore
Walter P. Diesing
Richard M and Virginia L. Appleby
Paul and Phyllis Creager
George B. and Gwynneth MacKaness
R. Champlin Sheridan
Robert A. and Carolyn M. Ferguson
James H. and Judith C. Keys

Most of the Founder members had purchased one or two additional Full memberships to help the SIA achieve its goal of obtaining the necessary funds to complete the amenity purchase. One Founder member, Champlin Sheridan, actually purchased five additional memberships. Each of the

¹¹⁷ Addendum to the Membership Plan for The Club at Seabrook Island Inc., May 8, 1991

Founder memberships was redeemed several years after the Club was established.

During the critical initial months of its membership drive, Seabrook Island Associates conducted regional meetings of property owners throughout the country, made telephone calls to property owners and conducted an extensive campaign by mail. SIA's goal was to make personal contact with every Seabrook Island property owner in order to encourage their equity participation in the Club.¹¹⁸ By mid-April, SIA had received a number of comments, questions and concerns from property owners regarding the terms and conditions of the Membership Plan. In response, SIA reestablished its Membership Plan Committee to review the issues which had been raised by property owners regarding the terms of the Membership Plan, and directed the Membership Plan Committee to bring its recommendations with respect thereto to the Board of Governors.¹¹⁹

An "unnamed coalition" of property owners circulated a seven page letter to Seabrook residents in April of 1991, criticizing the proposed purchase of the amenity assets from Bank South. The coalition stated in its letter that it had been formed in response to the plan of SIA to purchase the amenity assets and the subsequent endorsement of that effort by the SIPOA Board of Directors. The coalition stated in part that "While we find the general concept of an owner-run club emotionally appealing, we have discovered so many serious flaws . . . that we felt compelled to share our views."

Among the concerns of the coalition was that the plan of the Seabrook Island Associates permitted member assessments of up to \$750 annually without a vote; and the possibility that debt would be required to close the transaction with the bank. The opponents of the SIA's efforts contended that the membership votes were weighted in favor of



photo by Bob Hider

¹¹⁸ Memo from Fred Michaeli to Key Contacts and Volunteers, April 19, 1991

¹¹⁹ Seabrook Island Associates minutes, April 15, 1991

the Full members who were predominately users of the golf and tennis facilities. The opponents of the transaction also alleged that Bob Ferguson, the president of SIA, was a mere figurehead and that the behind the scenes guiding force of the purchase effort was William Whitner, who, as noted above, was one of the original developers of Seabrook Island. The unnamed coalition likewise “sense[d] some potential short-sightedness on the part of the SIPOA Board of Directors which could result in major financial losses and additional risks for the majority of Seabrook Island’s property owners.”¹²⁰

The SIPOA indicated that most property owners were offended by “the unsigned innuendos, negative reporting, and personal attacks on individual property owners.” Particularly offensive was the implication that SIPOA officials were sympathetic with the positions of the coalition.¹²¹ This opposition did not appear to gain significant traction among the Island’s property owners. The coalition’s letter was provided to the News and Courier and an article regarding the conflict between property owners regarding the Club’s efforts appeared in the May 3, 1991 edition of the newspaper. SIA postulated that the “Non-Residents Coalition” did not exist – rather the anonymous letter was sponsored by a local commercial developer who had ulterior motives.¹²²

Seabrook Island property owners responded to the membership drive very enthusiastically. By May 7, 1991, SIA had received 500 applications for membership under the “On Board in April” program – 100 more than had been predicted. As noted above, the initial offering period had been extended through the month of May. By May 18, 1991, five hundred and fifty-two (552) memberships had been sold, including one hundred and fifty (150) Full memberships and one hundred twenty-two (122) Full non-resident memberships.

Shortly thereafter, SIA announced that it had reached agreement with Club Operations and Management to operate the day to day activities of the Club following SIA’s closing on the assets, including, with the concurrence of the Board of Governors, the hiring and firing of personnel, and to

¹²⁰ Undated letter from Seabrook Island Coalition

¹²¹ POA Update, May 14, 1991

¹²² Seabrook Island Associates Newsletter, April 29, 1991

continue the Island's resort and conference activities. COPM was to be paid a fee of five thousand dollars (\$5,000.00) per month, plus an incentive based on an increase in operating profit from what had been budgeted.¹²³ SIA had also announced that it had entered into an agreement with Sand Dollar Management Corporation of Hilton Head Island to manage and operate Seabrook's resort, small conference and group rental program. SIA noted that Russell hired and/or fired four management companies in his five-year ownership. It hoped to give COPM and Sand Dollar the time to return the amenities to health and profitability.¹²⁴

In May, the SIPOA Board of Directors confirmed to property owners that it remained unanimous in its support of the efforts of Seabrook Island Associates to purchase the SIOC assets, and urged all of the Island's property owners to "seriously consider subscribing to the offering [of memberships in the Club] before it is closed on May 31st." Like every SIPOA Board of Directors since 1985, the then current SIPOA Board of Directors believed that an equity club owned by property owners would have common interests with all property owners in complying with the Protective Covenants and By-Laws which would add to the health and tranquility of the community and in turn enhance the value of everyone's property.¹²⁵

The initial offering period of the equity program closed on May 31, 1991, and the SIA anticipated closing on the purchase of SIOC's assets from Bank South in June.¹²⁶ At this point Seabrook Island Associates noted that a number of Kiawah and Charleston residents had indicated an interest in participating in the equity offering and its Board of Directors voted to make a limited number of memberships available to individuals who did not own property on Seabrook Island. At this time, the Club and the SIPOA entered into an agreement whereby SIPOA would accord access to the Club facilities to members of the Club who were not also owners of property on Seabrook Island. In consideration for such access, the Club agreed to pay SIPOA an annual access fee based on a reasonable relationship to SIPOA's annual budgeted costs of road and roadside maintenance safety and security, environmental, beach, legal and administrative costs which included any

¹²³ News and Courier, June 8, 1991

¹²⁴ Seabrook Island Associates Newsletter, May 7, 1991

¹²⁵ POA Update, May 14, 1991

¹²⁶ Seabrook Island Associates Newsletter, May 10, 1991

special reserve assessments, calculated on a consistent basis from year to year. The access fee for each non property owner member for 1991 was \$334.¹²⁷ The agreement was amended in 2006 to suspend the fee which the Club was required to pay for a period of three years, provided that the Club made reasonable space available to the SIPOA for its annual and special meetings.¹²⁸

Assuming that it would be successful in its efforts to purchase the amenity assets, the SIA “modeled” a proposed budget which anticipated that significant renovations would be made to the acquired assets which had been neglected during both the period of bankruptcy and prior to that, the period during which Russell and the SIOC were experiencing financial difficulty. To that end, the SIA proposed that one million one hundred and fifty thousand dollars (\$1,150,000) would be spent over the first two years of the Club’s operations in renovation and improvements to each of the golf courses, the Beach Club and the Island House. The Beach Club had “Captain Sam’s” fast-food window with hamburgers, hotdogs and pizza, and a new restaurant, the Seaview, geared to family dining. The Beach Club also offered the only oceanfront meeting facilities in the Southeast.

At its regularly scheduled meeting on June 4th, SIA Board of Directors reviewed a detailed financial report which set forth the assumptions and financial projections which had been prepared in connection with the Equity Conversion Plan. The report indicated that to and including the date of the report, almost \$9 million dollars had been pledged by property owners as a result of the membership drive. By the time of this meeting the composition and identity of the Club and SIA were essentially the same. Three days later, on June 7th, in a letter to property owners, Bob Ferguson noted that Seabrook Island Associates had essentially completed its mission of creating the Club and taking the steps necessary to purchase SIOC’s assets, and that at some point in the near future it would be in a position to take the necessary and appropriate action to terminate its corporate existence. At the same time, SIA announced that a new slate of officers and members of the Club’s Board of Governors had been elected to replace the officers and directors that had conducted the organizational meetings of the Club.

¹²⁷ Access Agreement dated May 31, 1991, SIPOA and the Club

¹²⁸ Amendment to Access Agreement, effective as of January 2, 2006 SIPOA and the Club



The new slate of officers and directors included: Bill Dalton (President), Cal East* (Vice President), Alan Fleming (Treasurer), Helen Maxwell (Secretary), Ernie Prupis, Fred Babb, Pat Brooke*, Jack Hostutler, Homer Klock, Chuck Pingry*, Bob Saunders*, Champ Sheridan, Jim Talmage*, Peg Theoharous* and Bill Whitner* (* designates SIA board member).¹²⁹

The newly constituted Board of Governors formally approved the purchase of the sports amenities and other assets formally owned by SIOC from Bank South on June 28, 1991 pursuant to “that certain Purchase and Sale Agreement, dated March 18, 1991, between the [Club] (as assignee of Seabrook Island Associates, Inc.), and Bank South, N.A. At the June 28th meeting, the Board of Governors authorized William J. Dalton to negotiate and execute the final terms and conditions of the purchase documents.¹³⁰

The transaction with Bank South failed to close on several of the initially agreed upon dates, primarily because the Office of Secretary of State of the State of South Carolina had not concluded its review of the issue as whether or not the memberships in the Club were “securities” and accordingly the sale of the memberships should have been registered with the agency as a public offering.¹³¹ The investigation ultimately narrowed down to two issues: (i) were the memberships in the Club being offered by SIA “securities” and accordingly covered by the agency’s regulations, and (ii) if so, were the securities exempt because they were being offered by a not-for-profit organization. The McNair Law Firm which had been retained to represent SIA had filed a request with the state agency for a “no action” letter in which the State in effect would declare that the membership sales were permissible without registration as a security.

As noted in the discussion of the initial meeting of the Board of Governors, the SIA had first requested that the United States Securities and Exchange Commission (“SEC”) issue a “no action” letter with respect to the membership offering in January of 1991. After its consideration of the issue, the SEC informed the SIA and the State of South Carolina that it had decided not to take action one way or another, but rather would leave the decision as to whether or not the Membership Plan needed to be registered to the

¹²⁹ The Club at Seabrook Island Sightings, July 1991

¹³⁰ The Club at Seabrook Island Board of Governors minutes, June 28, 1991

¹³¹ News and Courier, July 4, 1991

state agency. It was not until July 12th that the Securities Division of the South Carolina Secretary of State formally issued its “no action letter.” In its letter, the agency had concluded that the offering did not involve securities as the Club’s members would not be permitted to sell their equity interests to the public generally, but rather could only sell their interests back to the Club, and while the Club memberships were outstanding, there would be no payment of income, dividends or other profits to club members. The Secretary of State’s office stated that it would have ruled favorably on the membership sales even if the memberships in the Club had been found to be securities because the Club was a non-profit organization, and under state law exempt from registration of securities.¹³²

The transaction between the Club and Bank South closed in escrow on June 28th, and the Club officially took charge of the assets two weeks later on Friday July 12, 1991. Under the caption “THE DEAL IS DONE! THE ASSETS ARE OURS” the Club’s new publication, *The Sightings*, announced that “The Club at Seabrook Island is now owned by our members”.¹³³ At that time, Charles “Tom” Halsey, an employee of COPM, was appointed General Manager of the Club.

After the transaction was consummated, a number of questions were raised regarding the price paid by SIA for the assets. Specifically, some questioned why SIA agreed to pay \$9.5 million when its appraisal had valued the assets at a lower figure. SIA stated that it had become clear to it that other offers were being made at the \$9.5 million dollar level. Further, the bank had its own appraisal made which, not unexpectedly, came up with a higher number than SIA’s appraisal.¹³⁴

At the time the Club purchased the amenity assets from Bank South it was also necessary for the Club to obtain an access agreement from SIPOA in order to provide access



¹³² News and Courier, July 13, 1991

¹³³ *The Club at Seabrook Island The Sightings*, July 1991

¹³⁴ SIA Questions and Answers

rights to the Island for M. J. Properties, the owner of the Andell tract which, as noted above, had purchased Club membership options for \$1,000,000. Pursuant to that agreement, the purchasers of property from M. J. Properties who became members of the Club would be given access to the Island through the gate. None of the options sold by the Club to M. J. Properties was ever exercised.

As noted above, an access agreement had also been entered into in 1987 between SIOC and the SIPOA. The 1987 agreement calculated an annual assesment based on the average number of employees on the Ocean Club's payroll multiplied by the per person charge established by the SIPOA for road related budget expenses. Road related budget expenses included such things as security, road repair and maintenance, road related landscaping, water for grass and plantings and an equitable allocation of administrative expenses. The 1987 agreement was memorialized in a written declaration which had been recorded as a permanent encumbrance against the real estate now owned by the Club. Accordingly, the Club not only agreed to assume the agreement out of the bankruptcy proceedings, but also agreed to pay SIOC's accumulated unpaid assessments. It is not clear whether having been recorded as an encumbrance on the property's real estate title, the 1987 agreement became binding on the Club as successor to SIOC's assets or whether the obligation was discharged by the bankruptcy proceeding, and the obligation was voluntarily assumed by the Club. The agreement required that a charge be allocated to each SIOC employee for use of the roads and security. Some time after it had assumed obligations under the agreement, the Club notified the SIPOA that it wished to renegotiate the terms of the assessment formula. Specifically, the Club took objection to the formula pursuant to which the assessment was calculated since it was based on an annual charge for each employee of the Club, with a minimum of 350 employees irrespective of the number of employees actually employed by the Club. The "assumed" number of employees under the agreement would be reduced to 250 in 1993. In fact, at that point in time the Club's employee count was between 170 and 180 during peak season and 110 during off-season. The Club proposed paying an assessment on an average of 150 employees or an actual count taken at the end of each month. Negotiations were made more complex

by the fact that according to the terms of the 1987 agreement and SIPOA By-Laws, the agreement could not be amended without a referendum of the property owners.¹³⁵ The Club wanted to pay on the basis of the actual number of individuals employed. The SIPOA had insisted that the Club pay \$334 for each off-Island member.¹³⁶ Negotiations for a resolution of the dispute proved to be unproductive, and the agreement remained in place as written. On May 9, 1995, the Club and SIPOA entered into an agreement which was intended to “modify” the second through the seventh paragraphs of the 1987 Agreement. In the 1995 Agreement, the Club agreed to be subject to and participate in several specified assessment categories and pay SIPOA three percent of SIPOA’s annual operating expense budget plus three percent of any annual restricted assessments such as roads, drainage, environmental and emergency.¹³⁷ The 1987 Agreement, as supplemented and modified by the 1995 Agreement, was replaced by agreement between the Club and SIPOA in 2010. The intent of the parties in entering into the 2010 Agreement is that the Club will pay an annual assessment to SIPOA that reflects the financial impact of the operations of the Club, based on specifically identified elements of SIPOA’s capital and operating budgets, viz., security, roads and drainage, certain environmental expenses and a proportional allocation of administrative expenses. The sum of identified expenses is divided by a factor to determine the “per capita” expense which amount in turn is multiplied by the total of the Club’s full time equivalent employees and independent contractors to determine the Club’s assessment under the 2010 Agreement. The SIPOA Board of Directors is given authority to modify the method of calculating the assessment provided that the changes are consistent with the intent of the agreement.¹³⁸

¹³⁵ Club Board of Governors minutes December 15, 1993

¹³⁶ Ocean Views, September 1992

¹³⁷ Agreement between the Club and SIPOA, dated May 9, 1995.

¹³⁸ 2010 Agreement between the Club and SIPOA.



The Club's Early Years

After it purchased the amenity assets from Bank South, the first step taken by the Club's Board of Governors was to address a number of practical matters such as hiring key personnel and the renovation of the purchased facilities, which as noted above, had gone into a state of disrepair. Upgrade of the facilities undertaken immediately after closing included the installation of a new irrigation system on the Ocean Winds golf course; upgrading of the cart paths on both golf courses; redressing of all 13 tennis courts as required; repair, refurbishing and renovating the equipment and the fixtures in the Island House, Beach Club and pool area, and general repairing, painting and upgrading of the equestrian center.¹³⁹ In August of 1991 the Club announced that Bruce Gerlander had been named Director of Golf and Matt Wilson had been named Tennis Director.¹⁴⁰

Shortly after the purchase had been concluded, a number of Seabrook property owners who had not purchased memberships in the Club became concerned about what they perceived as a disproportionate degree of influence of Club members on the governance of Seabrook Island. In September of 1991, the concerned property owners formed an independent community association whose purpose was, among other things, to ensure fair representation on the SIPOA Board of Directors for non-resident property owners and non-club members; to insure that island services and amenities were enhanced for all property owners and to insure that financial responsibility was consistently applied and all monies of the POA were used

¹³⁹ The Club at Seabrook Island Sightings, July 1991

¹⁴⁰ The Club at Seabrook Island Sightings, August 1991

to the benefit of all property owners.¹⁴¹ There is no record of any affirmative action taken by this group or how long the organization stayed in existence.

By Quit-Claim Deed dated December 31, 1991, the Club transferred a number of the Island's infrastructure assets that it had inherited from SIOC as a result of the Bank South foreclosure to SIPOA. Prior to its bankruptcy SIOC had promised to turn these facilities over to SIPOA, but had failed to deliver on that promise. The properties transferred included storm water pumps, various gates and flapper valves and associated land and structures; all marshes not located on Club property; all utility easements except those located on Club property; all property between lot lines and mean high tide (i.e., the Beach Trust) except the properties by the Beach Club; all lakes behind the gate except those in or abutting the golf courses; bulkhead maintenance easements; miscellaneous buffers, green belt areas and strips of property unrelated to Club property; Hidden Oak and Old Drake Drive and miscellaneous stub roads; the incomplete portion of Seabrook Island Road; and the Crab Dock. The Club retained various access points to the beach subject to existing SIPOA easements and its right to use the Beach Trust in connection with the Club's equestrian program.¹⁴²

The first "Holly Ball" introducing the Club's tradition of a black tie Christmas party, was held in December 1991.¹⁴³ The formal event was held for a number of years thereafter.

The first annual meeting of the members of the Club was held on February 16, 1992. The meeting was scheduled to coincide with the SIPOA annual meeting of property owners which was held on the immediately preceding day. Promptly following the annual meeting of members the newly elected Board of Governors



photo by Bob Hider

¹⁴¹ Community Association Notice, September 12, 1991

¹⁴² Ocean Views, February 1992

¹⁴³ Ocean Views, January 1992

met and elected Bill Dalton as president, Homer Klock as vice president, Jim Fraser as treasurer and Carol Carpenter as secretary.¹⁴⁴ The Board of Governors stated that its principal challenge was to remedy almost five years of total neglect of the golf courses as a result of Russell's financial problems and the subsequent bankruptcy of SIOC. The Board of Governors allocated funds in the 1992 budget for items that could properly be categorized as "maintenance," but made it clear to Club members that the Club needed to be profitable over a period of time before sufficient reserves could be accumulated to put the Club into a position where it could afford major capital expenditures to restore the courses to their proper condition. It was also announced at the annual members meeting that as of February 29, 1992, the Board of Governors had replaced the Sand Dollar organization as villa rental operators, with the Buena Vista Hospitality Group, which would operate under the direction of a "villa rental operations board" consisting of: William Dalton, William Plunkett, James Fraser, Jack Hostutler, Homer Klock, Les Pue and Debbie Sheridan.¹⁴⁵ The board had been concerned about Sand Dollar's performance for some period of time, particularly in the areas of staffing, advertising and obtaining new listings in connection with villa rentals. At this point, the Club maintained three separate "profit centers" each with separate budgets: Club operations, Seabrook Island Realty and the Seabrook Island Resort Rental Program.¹⁴⁶ At the same time the COPM management Contract was extended for a term of eighteen months.

The Club held its first Men's Member-Member Golf Tournament on February 29th through March 1st. Top finishers were Al Reavill and Peter Brooke.

In March of 1992, the Post and Courier ran a major feature article on the newly formed Club, and interviewed Club officers Bill Dalton and Homer Klock. Dalton and Klock stated that the Club had sold all but 125 of the 1,400 available memberships, and had spent or planned to spend approximately \$1.7 million refurbishing the Club's facilities. Underpinning

¹⁴⁴ Ocean Views, March 1992

¹⁴⁵ Club Board of Governor minutes, March 30, 1992

¹⁴⁶ Ocean Views, May 1992

the Club's plans for growth in real estate sales and villa rentals business segments was a revival of the conference business. Dalton noted that the Club had refurbished its conference facilities and, as indicated above, had hired Buena Vista Hospitality Corporation of Orlando, Florida, the same company which worked with Disney World, to bolster its renewed marketing efforts for the conferences business.¹⁴⁷

The Club held its first Men's Golf Championship on April 9, 10 and 11 of 1992.

One of the collateral issues associated with the SIOC bankruptcy was the development of the Ocean Forest Subdivision located on property adjacent to Seabrook's North Beach Village between Cap'n Sam's Creek and the ocean. Known for some period of time as the "disputed property," the property had been the subject of extensive litigation between Robert Russell and Landmark Development Corporation ("Landmark"), the then owner of Kiawah Island. Concurrently, Bank South formally took over the assets of SIOC, the Oak Tree Savings and Loan of New Orleans which had an interest in Landmark also became insolvent and were taken over by the Resolution Trust Company ("RTC") when Landmark filed for bankruptcy. The bankruptcy court, acting on behalf of Landmark's creditors Bank South and the RTC, eventually was able to reach an agreement to develop and resell the property and divide the profits through a three way joint venture.¹⁴⁸

On May 18, 1992, the SIA's Board of Directors reconfirmed the announcement it had made the prior summer that the organization had fulfilled the purposes for which it was formed. Accordingly, it adopted a plan of complete liquidation and filed a Statement of Dissolution with the office of the South Carolina



photo by Bob Hider

¹⁴⁷ Post and Courier, March 9, 1992

¹⁴⁸ POA News, November December 1993

Secretary of State.¹⁴⁹ The Board of Directors adopted corporate resolutions which required that all of SIA's contractual rights and obligations were to be assigned to, assumed by and discharged by the Club.¹⁵⁰

At the same time, the Club's Board of Governors reported that negotiations were continuing with Heater of Seabrook concerning the quality of water furnished to the golf courses.¹⁵¹ Heater owned and operated the water and sewer facilities which serviced the Town of Seabrook and provided treated water to the Club which was used to water the two golf courses. For a number of years prior to this time, Seabrook Island property owners were protesting the utility company's frequent rate increases. Red Ballentine, who served as Mayor of the Town of Seabrook from 1993 to 1995 led the Town in a battle with Heater over the frequent and high rate increases. The Town of Seabrook held a referendum on October 11, 1994 to consider three questions: (i) should the Town be authorized to provide public water and sewer service as permitted by state law, (ii) should the Town be authorized to purchase, or if necessary, acquire through eminent domain, the water and sewer service facilities of Heater of Seabrook and (iii) should the Town be authorized to create a Water and Sewer Commission. The referendum passed easily with over 90% of those voters voting affirmatively in the answer to each question.¹⁵² In April of 1996, the Town of Seabrook Island formed its own water and sewer commission and purchased the service and related assets from Minnesota Power and Light Company for \$6 million following several years of negotiations, litigation and a challenge to the town's right to condemn property.¹⁵³

July of 1992 celebratory activities, including fireworks, marked the first anniversary of the formation of the Club.¹⁵⁴ In his address to members, the

¹⁴⁹ Robert Ferguson, President of SIA formally thanked the SIA Board members who spent about 30 months and thousand of hours researching and developing the approved membership proposal. The Board of the SIA consisted of Hal Bright, Pat Brooke, David Delph, Cal East, Dick Eckert, Steve Haynes, David Lambert, Craig Lewis, Helen Maxwell, Chuck Pingry, Bill Plunkett, Jr. Robert Saunders, Gene Stohler, Jim Talmage, Pegggy Theoharous and Bill Whitner.

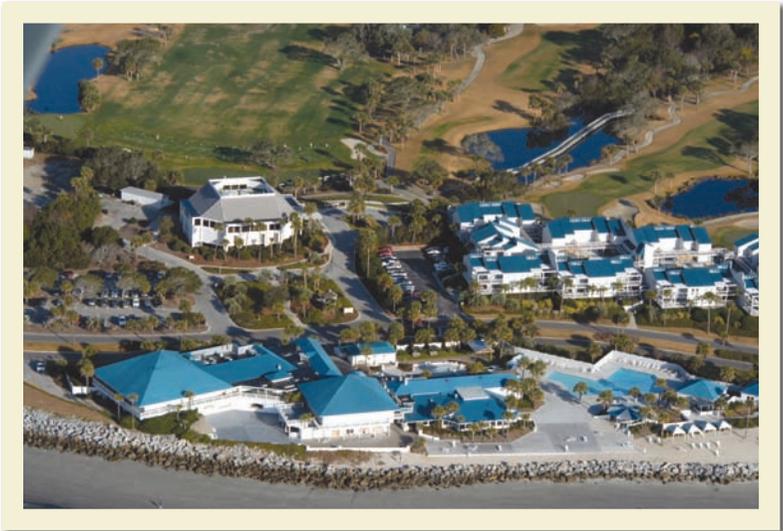
¹⁵⁰ Seabrook Island Associates Board of Directors minutes, May 18, 1992

¹⁵¹ Club Executive Committee minutes, May 22, 1992

¹⁵² This Week in West Ashley, May 15, 1997

¹⁵³ Post and Courier, May 30, 1996

¹⁵⁴ Ocean Views, August 1992



the History

Club's General Manager, Tom Halsey, reflected on the major accomplishments which the Club had achieved during the first year of its existence, including the physical improvements to the Club's facilities, the opening of the Seaview restaurant, the opening of the Seabrook Shoppe as well as the numerous social and recreational events which the Club had hosted during the first year of its existence.

The first Men's Member-Guest Golf Tournament was scheduled to be held on October 10th and 11th of 1992. The invitations for the tournament stipulated that participation would be limited to the first sixty (60) teams signing up for the tournament. Keith Hardeman was announced as the new Director of Golf, replacing Bruce Gerlander who had resigned earlier in the year.

Having over a year's experience in operating the Club under its belt, the Board of Governors concluded in October of 1992, that it would be best if a single individual was responsible for all Club and resort operations, and directed several board members to meet with a group known as International Conference Resorts of America in Phoenix, Arizona for this purpose. When negotiations with that company proved unsuccessful, the board hired one of the company's employees, Barry J. Poupore, to assume responsibility for the Club's operations in the capacity of Managing Director.¹⁵⁵ Interestingly, Poupore had been associated with Seabrook Island a number of years earlier

in his capacity as an employee of Western Conference Resorts which had been retained to operate the Island's resort amenities. Poupore would remain in the position of General Manager until 2002.

The Club's Second Annual Members Meeting was held in February of 1993. In his first address to members, Managing Director Barry Poupore stated that "to be successful we must be willing to share the [C]lub facilities



Mary Whyte in her studio
photo by Shea Tighe

¹⁵⁵ Club Board of Governors minutes, October 28, 1992

because as we do our job properly, it will naturally create new demands for our meeting and function space.” As is noted later, this business model – sharing Club facilities between members and resort and conference guests – would become a significant issue as the demand for the Club’s facilities increased, and created conflict between member and resort / conference use – see discussion of MembersFirst.

A number of issues resulting from the SIOC bankruptcy continued to linger after the formation of the Club, and in March of 1993 it was brought to the attention of the Club’s Board of Governors that several parcels of real estate had not been included in the SIOC mortgage to Bank South, and as a result, had not been conveyed to the Club in the deed it had received from Bank South. Of major concern to the Club was the status of the property title to the four tennis courts located across from the Racquet Club. At the same time, the status of the title to the Deveaux property located across from the island house was of similar concern to SIPOA.¹⁵⁶ Following extensive negotiations on the subject, the bankruptcy trustee agreed to transfer the properties in question to SIPOA and the Club respectively in consideration of a payment of six thousand two hundred and fifty dollars (\$6,250) by each entity.

Beginning in September of 1993 the ladies of The Club at Seabrook Island initiated a series of programs on the third Thursday of each month. Designated as “Lunch and Thensome,” the event included lunch at the Island House followed by a program featuring various speakers and guests. The first Lunch and Thensome program was presented by Seabrook Island resident artist Mary Whyte.¹⁵⁷ Later that same month the Club announced that Bo Crouch was promoted to the position of Tennis Director.¹⁵⁸

The Club held its third Annual Members Meeting on Sunday February 13, 1994, during which the Board of Governors confirmed that the Founder Members would not be responsible for capital assessments, and added a clarifying amendment to the Club’s Bylaws to that effect.¹⁵⁹ The Club held its first open house - “All Island Day” - for all Seabrook Island property owners on June 17, 1994. Golf, tennis, trail rides, the pools and the restaurants were

¹⁵⁶ Club Executive Committee meeting, March 5, 1993

¹⁵⁷ Ocean Views, August 1993

¹⁵⁸ Post and Courier, October, 17, 1993

¹⁵⁹ Board of Governors, minutes, February 8, 1994

open for use by any SIPOA member at “guest of Member” rates. The event, seen as a way of building positive relationships with all Seabrook property owners, would be repeated for a number of years afterwards.¹⁶⁰

The first “Get Acquainted Party” for new Club members as well as new residents and property owners was held on January 26, 1995. The Fourth Annual Membership Meeting of the Club at Seabrook was held on February 19, 1995. In its review of the highlights of 1994 the Club’s Board of Governors noted that as a result of the memberships’ approval of the capital improvement plan, the Island House, the Bohicket Lounge and the Deveaux Room had received a very much needed “face-lift.”

Kiawah and Seabrook men competed in the first annual “Island Cup” golf tournament May 6th and 7th of 1995. Twenty-four players from each community competed in a “Ryder Cup” style format.¹⁶¹ The Seabrook men won the cup in a match decided by 2 strokes. At about this time, the Club announced that Tracy Allen would assume responsibility as Head Tennis Professional as of July 30th.

In July of 1995, the Club announced that the Audubon Society of New York had accepted the Club’s two golf courses in its Cooperative Sanctuary Program. In doing so, the Club had become the first fully certified member of the Audubon Cooperative Sanctuary System (ACSS) in the state of South Carolina and the seventy-fifth (75th) organization to achieve such status

in the country.¹⁶² This was a significant achievement for the Club which had begun the certification process earlier that year. ACSS is a national program designed to help landowners preserve and enhance the environmental quality of their property. The ACSS provides an advisory service to help golf courses develop effective conservation and wildlife enhancement programs.¹⁶³

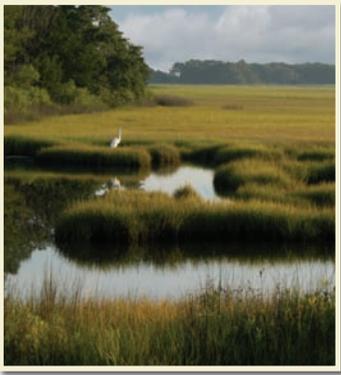


photo by Bob Hider

¹⁶⁰ Ocean Views, June 1994

¹⁶¹ Ocean Views, April 1995

¹⁶² Club Board of Governors minutes, July 22, 1996

¹⁶³ Ocean Views, September 1995

At the February 1995 meeting of the Board of Governors, Jackie Bowe presented an idea about how the Club might beautify the landscape between the Island House and the Beach Club. The theory was that the Island House, the golf courses and the Beach Club were seen as the central complex of the Club. As such, it was thought that its approaches should provide an appearance consistent with the ambiance of the Island. A group called the Memorial and Beautification Fund Committee made a rendering of a proposed garden for this area, complete with a walkway, plantings and benches. Funds were raised on a voluntary basis for “The Blue Heron Memorial Garden.” The garden was dedicated at the time of the Club’s Annual Membership Meeting in February of 1996.¹⁶⁴ As part of the Horizon Plan construction, the memorial garden was moved to the new facility.

The need for a fitness / wellness center on the Island was raised by Island residents and Club members in November of 1996. Initially it was suggested that the fitness center should be located adjacent to the Island House and that the cost of constructing and equipping the facility would be shared equally between the Club and SIPOA.¹⁶⁵ The Board of Governors discussed the issue at its meeting the following month, where it was noted that the idea had been discussed for a number of years and the concept put into the Club’s 1995 long range plan. Recognizing that the SIPOA had also expressed an interest in building a fitness center, it was suggested the two entities work together in an effort to save on the cost of construction. The Board of Governors had to decide whether to authorize the Club to build its own facility or proceed in a joint effort with SIPOA. It was noted that if the SIPOA went forward on its own, the facility would not be made available to conference and resort guests. The matter was referred to committee for further study.¹⁶⁶

After much deliberation, the Board of Governors decided, primarily because of the apparent indifference of the SIPOA Board of Directors on the issue, to proceed with the construction of a fitness center on its own. By October of 1997 it was reported that plans to renovate the recreation building to add a fitness center were underway and construction should begin by the following month. Completion was targeted for January of

¹⁶⁴ Undated distribution to Club Members by Jackie Bowe

¹⁶⁵ Club Board of Governors minutes, November 25, 1996

¹⁶⁶ Club Board of Governors minutes, December 18, 1996

1998, with the hope of allowing members the ability to take a tour of the facility by the date of the annual membership meeting.¹⁶⁷ The Club's Fitness Center was officially opened in February of 1998.¹⁶⁸ The facility occupied approximately 900 square feet in the recreation building and consisted of exercise machines, aerobic equipment and free-weights. Member use was included in the annual Club dues at no extra charge. Conference and resort guests were permitted to use the facility for an additional charge. The Club would operate the Fitness Center until the summer of 2009, when the Fitness Center equipment was donated to SIPOA for use in its Lake House facility.¹⁶⁹

From 1997 to 2000, there was a boom in the resort and conference business. Seabrook Island Realty flourished as did the Club's operations during this same period. The Sixth Annual Members Meeting of the Club was held on February 16, 1997. Claire Allen was elected the first female president of the Club at the Board of Governors meeting held immediately following the Annual Members Meeting. At the meeting, members were advised that 1996 had been a year of records for the Club – record revenue, record net income, record villa activity and record debt reduction - \$500,000 over the past five years. It was also noted that since its inception in 1991, the Club had spent a total of \$3.7 million in capital improvements. Anticipated 1997 capital projects included refurbishing the Island House, repairing the conference area, purchasing new equipment for the kitchen, rebuilding the Tennis Center deck and refurbishing the tennis courts.¹⁷⁰ At the 1997 annual members meeting, the Board of Governors approved a new “Emeritus” member policy. Under that policy, Charter members of the Club (viz., those who joined the Club before July 12, 1991 and who had attained the age of 80 prior to February 1, 1997) would be eligible for certain financial benefits such as a fifty percent (50%) discount off of regular dues and the option to satisfy their dues or assessment obligations by means of a deduction from the redemption value of their equity. Similar arrangements were to be made available in the future for non charter members who met the

¹⁶⁷ Club Board of Governors minutes, October 20, 1997

¹⁶⁸ Ocean Views, March 1998

¹⁶⁹ At its October 27, 2008 meeting, the Board of Governors decided to transfer the equipment to SIPOA and to no longer offer that amenity to its members

¹⁷⁰ 1997 Annual Meeting minutes

above qualifications and had been members for ten consecutive years.¹⁷¹ As an additional method of honoring the Charter Members of the Club, in January of 2007, the Board of Governors “retired” and determined not to reissue Charter member Club numbers.¹⁷² The requirements and privileges of Emeritus status were changed again effective as of January 1, 2011. As of that date, to be eligible to receive Emeritus status, voting members, except Unimproved Lot members and Sustaining members must: (i) have joined the Club prior to January 1, 2011, (ii) be at least 80 years old, (iii) have been a Club member for at least ten years and (iv) the sum of the members age plus his or her years of Club membership must be 100 or more. Emeritus members (whether becoming eligible for such status before or after January 1, 2011) are to pay dues at a rate of two-thirds (an increase from fifty percent prior to 2011) of the prevailing rate for their class of membership, and are responsible for all assessments instituted by the Board of Governors. Emeritus members who hold Refundable Equity Fee memberships may satisfy their dues or assessment obligations to the Club by a fifty percent (a decrease from one hundred percent prior to 2011) reduction of their equity in the Club. The incremental increase in dues and decrease in the amount of equity reduction are to be phased in over a three year period beginning in 2011. Concern over the damage to the greens caused by metal spikes, caused the Golf Committee to ban the use of metal spikes effective as of September 1, 1997. The Club also implemented a new “controlled flight” range ball to prevent the Ocean Winds Villas from being struck by golfers at the practice range.¹⁷³

The Club conducted its first comprehensive member opinion survey in September of 1997. The purpose of the survey was to obtain statistically valid input from members on a wide-range of issues affecting the Club. To conduct the survey in the most professional manner, the Club



photo by Bob Hider

¹⁷¹ Ocean Views, March 1997

¹⁷² Club Board of Governors minutes, January 29, 2007

¹⁷³ Ocean Views, June 1997

contracted with Tactical Data, a Charleston area research firm. The Club's goal was to have each member contacted by telephone to complete the survey.¹⁷⁴ It was also at this time that the Club's staff began work to change the old tennis center into a Kid's Club.

In October of 1998, the Club sponsored the first annual Rally for a Cure golf tournament, a charity designed to raise funds for the prevention of breast cancer. Each golfer participating in the tournament made a financial contribution to the event.

The 1998 Annual Membership Meeting was held on Sunday February 22nd. The Board of Governors announced at this meeting that significant renovations were required on the Crooked Oaks Golf Course which would result in the closing of the course for a period of four or five months over the summer (May 17 to mid-November). The required work included rebuilding the greens to USGA specifications; resizing, reshaping and recontouring many of the greens; redesigning and relocating some of the bunkers; laser leveling and reshaping of the tees and redesigning the green side irrigation patterns.

Over the years since his appointment, Managing Director, Barry Poupore, continued to report to the Board of Governors that the conference

business had grown reasonably well since 1992. His preference for the conference business as a revenue source was based on several assumptions; (i) that the business was generally less dependent on the weather and economic conditions, (ii) the use of the Club's facilities by conference participants was very organized and controlled, and (iii) that on a comparative basis conference attendees spent



photo by Adina Preston

¹⁷⁴ Ocean Views, September 1997

more money per person per day than any other business, created no bad debt, and cost The Club very little in credit card fees. He noted that conference attendees tended to take good care of the villa rental facilities, used the recreational facilities mainly in the afternoon (and as a result interfered less with Club members), and in general blended in well with the Club's regular membership. Poupore maintained that the conference business had been a big benefit to the Club and the villa owners.¹⁷⁵ When, a number of years later, the Club began to experience financial difficulties, the membership started to question the profitability of the conference business and its suitability for Seabrook. This issue generated significant debate among the membership and ultimately, a proposal was made to withdraw from the conference and resort business.

Betty Weber and Suzie Schuler co-chaired the first New Members party held in the Carolina Room on April 7, 1998. Later that year, on August 1st, the Fifth Annual "All Island Day" was held under the chairmanship of Dolly Plati, and was attended by 250 property owners.

In September of 1998, the Board approved a revised budget of over \$2 million dollars for the Crooked Oaks renovation project.¹⁷⁶ The Club had retained the firm of Thomas and Hutton to design the engineering requirements necessary to correct the serious drainage issues experienced on the course, particularly the 7th, 8th and 10th fairways. The Club had also retained MacCurrach Golf Construction Inc., to complete the work.¹⁷⁷ The work commenced in May of 1999 and included draining water from the lagoons on the 8th and 10th fairways to create the necessary fill dirt to correct low elevation issues on fairways 7, 8 and 10. Once the elevation issues were resolved, drainage was installed to resolve the past drainage problems in these areas. Simultaneously, greens and tee complex shaping was completed on these holes. This process was repeated throughout the golf course.¹⁷⁸ Crooked Oaks reopened on December 4, 1999, with limited play of sixty rounds per day on Saturdays and Sundays only, and play was cart path only. The demand for early morning and late afternoon times, along with having

¹⁷⁵ Ocean Views, December 1998

¹⁷⁶ Board of Governors minutes, September, 1998

¹⁷⁷ Ocean Views, May 1999

¹⁷⁸ Ocean Views, May 1999

only Ocean Winds available for play strained the Club's golf capacity.¹⁷⁹ The course did not get back to full time play until March 21, 2000.¹⁸⁰

The 1999 Annual Membership Meeting was held on Sunday February 14th. Joe Crispyn was elected president at the Board of Governor's Meeting held immediately following the Annual Meeting. The Board of Governors reported that excluding the Crooked Oaks renovation, the Club had spent \$2.3 million during 1999 in major building and roof repairs, completing new golf bag storage building and decking, new decking around the pools, improving the appearance of the golf shop, new golf maintenance and adding two new clay courts to the racquet club. Since 1994, the Club had spent over \$8 million in upgrading, refurbishing and expanding its facilities.¹⁸¹

The Board of Governors approved an allocation of \$25,000 in the 1999 capital budget in June to cover the initial conceptual design and engineering work for a potential new banquet/conference facility and/or Island House expansion.¹⁸² That September Hurricane Floyd "roared" past Charleston and headed up the east coast creating the largest peacetime evacuation in U.S. history as three million people from Florida to North Carolina fled in advance of the storm. The rejuvenated Crooked Oaks golf course suffered little damage. However, the hurricane resulted in at least \$330,000 in lost revenue primarily attributed to the conference and villa rental businesses.¹⁸³

The Club's Long Range Plan adopted in October confirmed the Club's intention, as of the fall of 1999, to continue in the resort and conference business. The Board of Governors specifically approved the concept of continuing to rely on resort and conference business in the long term to help fund capital improvements. At the same time, in order to accommodate present and future member, resort and conference needs, the Board of Governors authorized the Club to pursue the expansion and modification of the Island House and Beach Club area, and directed that additional planning should be focused on the building of a multi-use facility near or connected to the Island House.¹⁸⁴ To that end, a month later in October, the Board of

¹⁷⁹ Ocean Views, August 1999

¹⁸⁰ Board of Governors minutes, January 24, 2000

¹⁸¹ Annual Members Meeting minutes, February 20, 2000

¹⁸² Board of Governors minutes, June 21, 1999

¹⁸³ Ocean Views, October 1999

¹⁸⁴ Board of Governors minutes, October 25, 1999

Governors passed a resolution which confirmed the Board's plans "to begin implementation of the modifications of the Island House and the Beach Club area and/or the construction of a new facility, the senior management of the Club at Seabrook . . . is hereby authorized to take all steps necessary to obtain permits . . . and all required approval for the optimum expansion of Club facilities."¹⁸⁵

As a direct consequence of the action of the Board of Governors, a steering committee, under the title of Paradigm 2000, met for the first time on December 6, 1999, to interview architects skilled in the club/resort/conference business. Paradigm 2000 was a name given to a project calling for the valuation of alternatives for the modification and expansion of Club facilities for member and multi-purpose use, and the concept was arguably the precursor to the Horizon Plan. The Board of Governors believed the increased facility space was necessary to accommodate membership growth which had increased by 19% since December of 1997 and was expected to increase by 23% over the following five years. This anticipated growth, combined with conference needs, had resulted in a shortage of special function space.¹⁸⁶

The Club retained LS3P Architecture of Charleston as a multi-disciplined design firm to work on this project. Paradigm 2000 committee members included: David Mitchell, Charles Mangee, Richard Lalley, Donald Smith, Chris Whitacre, Barry Poupore and Chris Barker.¹⁸⁷ The plan developed by LS3P under the Paradigm 2000 charge incorporated new buildings on the Island House side of Seabrook Island Road. A fitness center / spa, 19th hole bar and grill, member's only grill, member's only lounge and a multi-purpose building for banquet and party use. The June 26, 2000, Board



photo by Bob Hider

¹⁸⁵ Ocean Views, January 2000

¹⁸⁶ Ocean Views, June 2000

¹⁸⁷ Ocean Views, April 2000

of Governor's meeting was attended by over 200 members. A number of members suggested that an independent consultant be retained to evaluate the assumptions and conclusions of the 1999 long range plan. The Board took this suggestion under consideration, and in the interim Paradigm 2000 and the land planning and new building assessment of the long range plan was put on hold.¹⁸⁸

In order to increase water flow pressure in certain parts of the Island, in November of 1999, the Seabrook Island Water and Sewer Commission secured permission to construct a one-million gallon, above ground storage tank to be built on the Commission's property near the Club's maintenance area on the north side of the Island. The Commission determined that alternative routes of the pipeline were too expensive, and the least expensive alternative was using the roughs along holes 1 through 8 of the just completed Crooked Oaks golf course. Concern over the Commission's "right of eminent domain," and on the advice of its legal counsel, the Board of Governors agreed to grant the Commission an easement over the golf course property for work which was to be completed in May of 2000.¹⁸⁹ From a financial perspective, 1999 was a "challenging year," especially with the Crooked Oaks golf course having been closed for a number of months.¹⁹⁰

In October of 2000, a conflict for space at the Beach Club generated a debate among the Board of Governors regarding the issue of conflicts between Club sponsored member events, such as Lunch and Thensome, and the commercial conference business. The Club's General Manager, Barry Poupore, continued to maintain that the conference business was an important part of the Club's budget, and that it was frustrating to him and the other Club managers "when Board members and other members take the view that only resident members matter in feelings and discussions, especially in light of the size of the Club's budget."¹⁹¹ This is the first documented evidence of a conflict between member and corporate conference use of the Club's facilities. Continued situations where there were conflicting demands for use of the Club's facilities represented one of the major concerns expressed by a group of members who organized under the name MembersFirst. By

¹⁸⁸ Ocean Views, August 2000

¹⁸⁹ Ocean Views, November 1999

¹⁹⁰ Ocean Views, December 1999

¹⁹¹ Board of Governors minutes, October 30, 2000

March of 2001, the Club began to get feedback from its convention customers that its facilities – particularly the Beach Club / Island House areas and some villas – were showing a “tired appearance.”

In the spring of 2001, the Board of Governors concentrated its effort to try and get a better handle on the profitability of each of its business segments. Accordingly, in April of 2001 the Club’s Finance Committee initiated a study to determine the most accurate way to report operating results by each business segment (club, resort and conference).¹⁹² Upon completion of that study four months later, the Club distributed to members a fiscal year 2000 and a six month 2001 segmented income statement prepared by the Finance Committee. The study demonstrated that the conference and resort business accounted for approximately two-thirds of the Club’s revenues and expenses on a consolidated basis.¹⁹³ The Board of Governors concerns over the Club’s finances, and the relative lack of success of the conference business continued to grow, and in January of 2002 it requested that each conference sales person submit detailed marketing objectives for member, conference and resort business including dollar sales goals.¹⁹⁴

At its quarterly membership meeting on October 29, 2001, the Board of Governors approved a \$13 million expansion plan, subject to member referendum. The Board sent a letter to Club members restating two issues the Board had considered at its meeting: (i) did the Club’s long-range plan fulfill the long-term needs of the Club and were the Club’s proposed capital improvements the correct steps required to meet the members’ requirements and (ii) if the plan and proposed financing were appropriate, what would be the optimum timing for a membership referendum. Notwithstanding, the Board of Governors decided to hold further activity on the plan implementation in abeyance, pending a quarterly review of the project’s timing. It was noted that if, and when, the Board of Governors was satisfied with a proposed time table, a membership referendum would be scheduled. A 60 – 90 day discussion period was to be devoted to providing the membership with details on the project immediately prior to the referendum. The center piece of the plan was described as a “dramatic enhancement of [the] Island House services and amenities”.¹⁹⁵

¹⁹² Ocean Views, April 2001

¹⁹³ Club Segment Report Update, August 2001

¹⁹⁴ Board of Governors minutes, January 21, 2002

¹⁹⁵ Letter of Membership dated October 29, 2001



MembersFirst

By the fall of 2000, the concern on the part of a number of Club members that the membership experience was not achieving its full potential, had manifested itself to a point where a group of Club members formed an ad hoc committee known as “MembersFirst.” The ad hoc committee initially consisted of: Andy Allen*, Norm Balderson, Larry Blasch*, John Caldwell, Marian Chamberlain, Jane Cogswell, Cal East, Bob Ferguson*, Tom Flynn*, Tom Herbick*, Ed Kronenberg, Jim Leib*, Roy Mordhorst*, Lorie Muenow, Patti Secrist, Bob Stief*, Warren Watts, Larry Weiss and Dave Yerian (* designates steering committee member). MembersFirst described itself as a “member [owner] interest group that believe[d] the time ha[d] come for the Club . . . to become a much more ‘member friendly’ Club and move towards serving its members first, even at the expense of foregoing some of its commercial income.”¹⁹⁶ The committee was formed in an attempt to influence the Board of Governors to bring a “members first” attitude to its duties. After its inception, MembersFirst quickly gathered signed endorsements from nearly 170 Club members. Bob Ferguson, on behalf of MembersFirst made a presentation of its concerns and objectives at the Club’s annual meeting in February of 2001.¹⁹⁷

The ad hoc committee expressed concern about the diminishing profitability of the Club’s resort and conference business, and was generally opposed to the Board of Governors making significant capital expenditures directed to expanding conference business which was seen as stagnant rather than expenditures which would improve and expand upon member

¹⁹⁶ MembersFirst Statement of Purpose

¹⁹⁷ MembersFirst member communication, January 11, 2002

amenities. It was also felt that over the course of many years, the Board of Governors had given away more and more of its authority and responsibility to the Club's Managing Director. MembersFirst also thought, among other things, that the Controller should be reporting independently to the Club Treasurer and Board of Governors rather than to the Managing Director. It proposed that the Club should be actively pursuing membership growth, and that the sales and marketing staff for the resort and conference business had grown to be a "rather large and highly paid group." It also thought that there should be greater cooperation and collaboration between the Club and SIPOA. Lastly it proposed that the golf courses be designated as "member courses" during prime hours on alternate days.¹⁹⁸ In a letter to the Board of Governors, MembersFirst expressed apprehension over the diminishing profitability of the resort and conference business; and was very alarmed that the costs associated with that business segment had been rising at a greater rate than revenue.¹⁹⁹

MembersFirst was focused on three generalized objectives: (i) to make the Club more member friendly, (ii) to support the proposed Club referendum on capital improvements, but only if reasonable commitments concerning member access to facilities and amenities accompanied the proposal; and (iii) to work to improve the profitability of the Club's resort and conference business segments by implementing more effective cost control and cost reduction programs. Its Statement of Purpose (Mission Statement), and the group's objectives were presented at the Club's Annual Meeting in February. The Statement of Purpose asked the Board of Governors to "develop a more comprehensive method of financial reporting that will enable the membership to clearly understand the revenues, costs, and profits associated with [the Club's] three business segments."²⁰⁰

In the 2002 election to the Club's Board of Governors, MembersFirst ran its own slate of four candidates: Harry Apblanalp, Pattie Guindon, Heinz Hutter and Jim Leib. The slate's platform stated that the Club had lost its original vision of being a members Club, and had become a commercial

¹⁹⁸ MembersFirst – Thoughts, Ideas, Suggestions for Board Consideration, April 23, 2001

¹⁹⁹ MembersFirst letter to Board of Governors dated April 23, 2001

²⁰⁰ MembersFirst, May 9, 2001

business subsidized by its members. The slate’s platform included the following objectives: (i) development of objectives based on the philosophy of providing a financially sound, affordable and member-oriented club, (ii) development and implementation of an ongoing three year strategic plan and (iii) reevaluation and reformulation of the capital spending program based on more realistic and member-beneficial objectives.²⁰¹ Irrespective of a vigorous campaign, the slate was not successful, although it did manage to garner nearly 40% of the vote.

A number of the MembersFirst proposals were ultimately adopted by the Board of Governors. In April of 2002, the Board revised the bylaws to provide that while Club’s Controller would work in close coordination with the Managing Director and the Treasurer of the Club, the position would report to the Board of Governors through the Board Treasurer. This changed the language of the bylaw provision to read as it had prior to 1999. Likewise, one of the principal objectives adopted by the Board of Governors was to “Insure that a member friendly approach existed between the management, club staff and the members.”²⁰²

MembersFirst ceased functioning as an organized effort several months after the 2003 Annual Meeting.



photo by Bob Hider

²⁰¹ MembersFirst, January 11, 2002

²⁰² Board of Governors minutes, April 22, 2002



Withdrawal From the Resort and Conference Businesses

At the 2002 annual members meeting, the Club reported a consolidated net loss for calendar year 2001 of \$1,214,000. Conference sales business and member spending were all down for the year. The Club reported that 2001 had been the first year where there were zero net new memberships – and in fact had a net loss of membership of 37. As a consequence and in an effort to reduce costs, the Club reduced staff by 18%.²⁰³ At the annual members meeting, Marlin Stover stated that the Club was at a crossroads. Key issues discussed at the meeting included Club profitability, membership satisfaction and facilities improvement.²⁰⁴

In mid-year 2002 after it had experienced two consecutive years of operating losses the Club retained PFK Consultants to examine each business of the Club (viz., golf/tennis club, resort, conference and real estate) to (i) determine the strengths, weaknesses, opportunities and risks of each business segment with a view towards improving the management, productivity and efficiency of each, (ii) make the Club more member-centered and improve the service quality to members, (iii) upgrade the Club's facilities and (iv) develop a business plan which would return the Club to profitability. At the same time, a request went out to a number of individuals and management companies, including the then current manager Barry Poupore, to provide the Club with a bid for management services.²⁰⁵

²⁰³ Annual Membership Meeting minutes, February 17, 2002

²⁰⁴ Annual Membership minutes, February 17, 2002

²⁰⁵ Board of Governors minutes, July 22, 2002

At its December 2002 meeting, the Board of Governors terminated the services of Barry Poupore as Managing Director and replaced him with John Wilderman.²⁰⁶ Poupore had served in the position of Managing Director since October of 1992 and was the principal proponent of fostering the “conference and resort business” on the Island. There was also a major realignment of personnel as a consequence of the termination of the “sales team,” termination of the Director of Sales, Controller and Director of Sales and Marketing. The conference business had been on the decline since the fall of 2000 for a variety of reasons including economic downturn beginning early in 2001, the adverse effects of September 11th, the SARs fear and an elevated terror alert following the start of the Iraq war. For calendar year 2002, the Club’s operations generated a loss (before depreciation and including two substantial member assessments) of approximately \$850,000.²⁰⁷ During the period between 2001 and 2003, the Club experienced losses of over \$4.3 million. At mid-year 2003 the Club’s Board of Governors was concerned that bankruptcy was a real possibility.²⁰⁸ A large part of the loss was attributed to the costs and expenses allocated to the conference business which was suffering a corresponding decline in income.

The Board of Governors took a number of steps to get the Club back to financial stability and to create a financial reporting system which would enable the Board to benchmark the Club’s business segments against industry standards. Specifically, the Club adopted the following financial planning and reporting objectives: (i) evaluation of the Club’s industry standard financial reports, (ii) evaluation of the profitability of villa, conference and resort business, (iii) development of a financial plan for existing Club operations, (iv) evaluation of the structure and cost of the Club’s employee benefit programs, (v) completion of a comprehensive review of the Club’s insurance and (vi) evaluation of a zero-based budgeting program for 2004.²⁰⁹ In addition, the Board of Governors formed a committee to examine profitability of the Club’s business segments. The members of that committee included: John Wilderman, Bill Mowat, Ed Puckhaber, Bob Applegate, Tom

²⁰⁶ Board of Governors minutes, December 16, 2002

²⁰⁷ Board of Governors minutes, January 20, 2003

²⁰⁸ Annual Meeting minutes, February 18, 2007

²⁰⁹ Board of Governors minutes, March 2003

Miranda and Lew Johnson.²¹⁰

By August of 2003, the Club's financial condition had reached a fairly critical stage, and the Board of Governors passed a series of resolutions to (i) seek a third party management company to outsource the villa rental program which the Club was managing, and to develop a transition program from a "conference/Club" to a "Club/resort" business model for presentation at the September Board of Governors meeting, (ii) request management to present a business plan for the Club to continue in the conference business in 2004 that was consistent with the objective of a break even budget and (iii) authorize a September 2003 referendum to request approval of an operating assessment of \$1.85 million, to begin in January of 2004 and which would be used, among other things, to repay short term loans, fixed asset reserve fund and for balance sheet liquidity.²¹¹ Discussion on these and related issues continued over a period of several months.

After months of deliberation and debate, in October of 2003 the Club's Board of Governors ultimately decided to exit the conference business. The decision resulted in significant staff reductions, and 62 Club employees associated with the conference business segment were terminated. The Club also announced that as of December 13, 2003, it would no longer be directly involved in the villa rental business or the active promotion of Seabrook Island as a resort destination.²¹² Instead, the Club would transition into a "member and resort guest club," which meant that it would be operated for the use and benefit of the Club members and their guests.²¹³ This did not mean that the villa rental function was to be abandoned entirely. The Club had entered into an agreement with Great Beach Vacations to "step into the shoes" of the Club with respect to the vacation rental business.²¹⁴ The agreement identified Great Beach Vacations as the Club's preferred provider of villa rentals. It was the intention to extend to the other island villa rental companies the same advantages extended to Great Beach. At the time, there were approximately 160 villas in the rental program. It was assumed that some villa owners would go with other companies, and others would try

²¹⁰ Board of Governors minutes, July 21, 2003

²¹¹ Board of Governors minutes, August 25, 2003

²¹² Ocean Views, December 2003

²¹³ Ocean Views, September 2004

²¹⁴ Board of Governors minutes, November 17, 2003

to go it alone. It was expected that Great Beach would end up with about 105 - 110 villas in the program.²¹⁵ At some point, Great Beach changed its corporate name to Great Beach Vacations, LLC, a subsidiary of ResortQuest International. In December of 2003, to supplement the Club's new direction and business strategy, the Board of Governors implemented the following revenue generating measures: (i) member discount on food, beverage and retail was reduced from 16% to 10%, (ii) a \$50 per bag golf storage fee was introduced and (iii) a new food and beverage minimum was implemented. The Board implemented a study of the food and beverage operation to establish a specific goal for this amenity.²¹⁶

Following the transition to a member and guest club, the Club's financial position tracked in a positive position. But the Club's future continued to be dependent upon membership growth. As a result, the Boards of Directors of the Club and SIPOA came together in an effort to address this issue. Specifically, when the Club's Board of Governors decided to exit the rental management, resort and conference business, SIPOA held a referendum to amend its protective covenants to add the Island One amendments requiring that all future property owners become members of the Club. This was undoubtedly the most significant Island event since Russell's bankruptcy in 1989.²¹⁷

²¹⁵ Board of Governors minutes, November 17, 2003

²¹⁶ Board of Governors minutes, December 15, 2003

²¹⁷ Annual Meeting minutes, February 18, 2007



Island One

In August of 2002, the SIPOA Board of Directors appointed a group of property owners to an initial Island One Task Group (the “Task Group”) under the auspices of SIPOA’s Long Range Planning Committee which was chaired by Larry Blasch. SIPOA’s purpose in trying to implement Island One was “to bring the entire island together as a single, united community, with a more common sense of purpose.”²¹⁸ The Task Group was charged with collecting, evaluating and submitting information relative to the formation of an all island club. The “Island One” study as conducted by the Task Group was to encompass a number of issues including management structures, economies to be gained by avoiding facility and maintenance duplication, the financial, social and recreational impact on individuals, the financial and governance impact on organizations, both sales and rental of real estate on the Island, legal issues and Club membership options

The Task Group had the support of the Board of Governors of the Club and was comprised of property owners who were both members and non-members of the Club.²¹⁹ Norman Smith, Marlin Stover and Wayne Hockersmith of the Club’s Board of Governors were asked to serve as members of the Task Group. Other Task Group members included Ray Easterbrook, Carroll Gantz, Lew Johnson and Jim Leib.²²⁰

In March of 2003 the Task Group submitted its report on Island One to the SIPOA Board of Directors. The report concluded that the concept was

²¹⁸ Seabrook Insider, Jan / Feb 2003

²¹⁹ The Seabrooker, October 2002

²²⁰ Board of Governors minutes, September 23, 2002

feasible and had been successfully implemented in communities similar to Seabrook.²²¹ The Task Group report noted that there could be significant positive financial benefits stemming from an all island club concept for the Club at Seabrook Island and the SIPOA.²²² Specifically, the Task Force's report stated that the concept whereby all property owners were to be members of The Club at Seabrook Island was both legal and feasible, and suggested that the Board of Governors of the Club and the Board of Directors of the SIPOA jointly designated a committee to conduct the required due diligence necessary to put the matter before referenda of property owners and members.²²³

At its March 17th meeting, the SIPOA Board of Directors endorsed the Island One concept as presented by the Task Force and authorized a further study of the issues associated with its implementation.²²⁴ One week later at the Board of Governors meeting, Marlin Stover was asked to chair the Club's "Island One Committee." The committee was to be responsible for conducting the required due diligence, and developing potential membership options for submission to the Board of Governors. The committee was to consist of both members and non-members of the Club.²²⁵

Subsequent to the filing of the SIPOA's Task Force report interest in the concept seemed to abate, and no further affirmative action was taken with respect to Island One either by the Club or SIPOA for a period of about

nine months. In May of 2003, the SIPOA Board of Directors stated that "Island One is doing a rest period. The Club is going to be allowed to stabilize themselves, and do more planning. Island One will be reviewed again in



photo by Bob Hider

²²¹ Island One: A Concept in Development, page 2

²²² IOC minutes, March 13, 2004

²²³ Undated memorandum from Task Force Chairman to Richard Muenow, president of SIPOA

²²⁴ SIPOA Board of Directors minutes, March 17, 2003

²²⁵ Board of Governors minutes, March 24, 2003

three months.”²²⁶ In July, the Club’s president sent a letter to membership stating that Island One due diligence had been suspended and that the Club “need[ed] to be tracking on the path to financial stability” before it would be renewed.²²⁷ At this time, the Board of Governors indicated that the Club had lost almost \$3 million over the immediate past several years, the bulk of which was associated with Club’s “commercial” business – viz., the conference and resort rental business. The Board of Governors reiterated at its October meeting the critical situation that the Club could face if the Island One initiative was not implemented.²²⁸ During 2004 following the referendum on the operating assessment, and business reorganization, the Club showed positive net income thanks primarily to the contribution of its real estate subsidiary.

In the fall of 2003, the SIPOA Board of Directors informed property owners that it saw affirmative indications that the business plan of the Club was in order and that the Club was making significant progress to improve its financial condition. Accordingly, on October 28, 2003 the SIPOA Board of Directors unanimously adopted a resolution endorsing the concept of Island One and authorizing the appropriation of “resources” to bring it to fruition.²²⁹ SIPOA had received copies of several newspaper articles from two island communities which had adopted an Island One concept. The articles stated that the property values in these two communities had increased more than they would have had the concept not been adopted and implemented. The SIPOA Board of Directors felt very strongly that Island One was appropriate and in the best interest of all property owners. In response to questions from property owners regarding the Island One concept, the SIPOA Board of Directors stipulated that all current property owners of record who were not Club members would be “grandfathered” and would not be required to become Club members.

A month later in November of 2003, the president of SIPOA, Richard Muenow, commented that Island One had a “tumultuous” start. Mr. Muenow reported that SIPOA’s ad hoc committee (the Task Group) had spent five or

²²⁶ SIPOA Board of Directors minutes, May 19, 2003

²²⁷ Board of Governors minutes, August 25, 2003

²²⁸ Board of Governors minutes, October 30, 2003

²²⁹ SIPOA Board of Directors minutes, October 28, 2003

six months studying various aspects of the issue including the legality and desirability of the concept, and that the result of the study was positive and the Island One model was seen as the direction in which both the Club and SIPOA wanted to proceed. However, the financial condition of the Club had again been raised as an issue at that point, and the SIPOA Board of Directors decided to discontinue further pursuit of the issue until such time as the Club was able to get its business plan and financial condition more in line with what the Board thought would benefit most property owners.²³⁰

In response to questions from property owners at the November SIPOA board meeting, Mr. Muenow confirmed that the SIPOA had been the impetus for Island One. He acknowledged that many property owners had questions regarding the concept, including how the Island would be run if Island One were to be implemented, viz., whether there would be two boards of directors or one, whether there would be two sets of fees and what type of communications would be available before the vote on the issue. Mr. Muenow agreed that the amount of information which had been distributed to property owners on the concept up until that time had been “thin” because SIPOA was waiting for the Club’s Board of Governors to make decisions and noted that “You cannot have a wedding for one partner.”²³¹

The SIPOA Board of Directors proceeded slowly, as it did not want Island One to be seen by property owners as a financial “bail out” of the Club.²³² At about this time the Club held a referendum, asking its members to approve an assessment which was designed to strengthen its balance sheet and provide for contingency funds. Plans were also being made by the Club to revise its business model and implement other collateral measures to achieve a “favorable bottom line.”²³³ In several meetings between representatives of SIPOA and the Club regarding Island One, the Club’s representatives indicated that they wanted to review the issues thoroughly before coming to any conclusion one way or another on the concept.²³⁴

However, in late 2003, the Island One concept once again appeared to regain traction. At its December, 2003 meeting, SIPOA president Richard

²³⁰ SIPOA Board of Directors minutes, November 17, 2003

²³¹ SIPOA Board of Directors minutes, November 17, 2003

²³² Island One: A Concept in Development, page 3

²³³ SIPOA Board of Directors Resolution dated February 27, 2004

²³⁴ SIPOA Board of Directors minutes, December 5, 2003

Muenow briefed the SIPOA Board of Directors on the status of Island One and outlined the composition and function of a proposed implementation committee and possible candidates.²³⁵ Shortly thereafter, the SIPOA Board of Directors formed an Island One Committee (the “IOC”). On December 31, 2003, SIPOA President Richard Muenow, who served as chair of the IOC wrote a memo to the committee members notifying them of the organizational meeting of the committee.²³⁶ The function of the IOC was to further dissect the concept, develop it into a real product, evaluate likely consequences to the Island, and make recommendations to the SIPOA Board of Directors.²³⁷

The IOC held its first “organizational” meeting on January 20, 2004.²³⁸ The minutes of the January meeting suggest that “Seabrook [was] an island in transition and [would] see many changes in population and population composition over the next several years.” New property owners would be younger and would want additional and newer amenities. “Increased Club membership (which was deemed necessary for Club survival) must / should come from new property owners.”²³⁹ The IOC also took note of the fact that Seabrook was in fact once an island-one; i.e., all property owners were club members. It was the bankruptcy of the developer, the Seabrook Island Ocean Club, that had forced choices on the property owners and required equity participation in order to fund the purchase of the amenity assets. At this meeting, the IOC advised property owners that a meeting of “concerned property owners” would take place

²³⁵ SIPOA Board of Directors minutes, December 15, 2003

²³⁶ Minutes – Island One Committee, January 20, 2004

²³⁷ Island One Background, September 8, 2004

²³⁸ The initial members of the IOC were: Betsy Smith, Stewart Hubbling (Real Estate); Jim Tilson and Bill Westberg (Legal); Jack Hoover, Jim Leib, Fred Ristow, Dan Simon and Ike Smith (Awareness); Jim Altemus, Peg Clarke, Carroll Gantz and Pat Parsons (Communications); Sam Reed, Bill Middleton, Richard Marion (Recording Secretary) and Bob Giuffreda

²³⁹ Minutes – Island One Committee, January 20, 2004



photo by Bob Hider

on January 23rd. The IOC specifically noted at this time that “while the Club [was] open to considering Island One concepts, their [sic] first priority [was] to become financially sound (without necessarily relying on Island One);” and that the Club was not looking to Island One as part of its solution.

At its organizational meeting, the IOC formed a number of operating subcommittees including: Legal, Real Estate, Awareness and Communications. In staffing these committees the IOC made a conscious effort to bring in non-club members into the process in order to allow participation in the committees to provide a balanced viewpoint and to ensure that a wide range of opinions was heard from on the issues under consideration.²⁴⁰

In early 2004, a group of concerned residents formed the “IslandVoice”, an organization “dedicated to exploring the many issues compulsory club membership create[d].” Its stated purpose was to ensure that unbiased evaluations of Seabrook issues were made available to all property owners, facilitating well informed decisions. The IslandVoice “Core Committee” consisted of: Bob Anderson, Ginny Callaway, John Genovese, Charlie Hamilton, Wade Harrell, Fred Kardon, Marilyn McKee, Sherry Pollard, Bill Ryan, Glenn St. Germain, Carl VonEnde and Bill Westberg. This group held its first meeting on January 23rd to discuss the structure, objectives and timeline of the IOC. A week later, it provided its views on the issue in a mailing to property owners. IslandVoice suggested that the origin of the Island One initiative evolved from the “MembersFirst” concept, whose advocates wanted the Club to be financially self-sufficient.²⁴¹ It suggested that (i) the decision

to proceed with Island One was done without sufficient due diligence, (ii) there was no substantial proof that property values would be increased with mandatory Club membership, and (iii) there was no guarantee that the “Club-dominated SIPOA Board” would not attempt to change the grandfathering provisions for current owners.



photo by Bob Hider

²⁴⁰ IOC minutes, January 22, 2004

²⁴¹ Background and Current Status – the Island One Initiative, May 13, 2004

In response to the IslandVoice initiative, a number of property owners who were in favor of Island One circulated their own document captioned “Voices of Reason.” In their mailing, they noted that there had been no forum for the “silent majority” of Seabrookers who believed Island One would be a benefit for all property owners, and the Voices of Reason was such a forum. Contributors to Voices of Reason discussed why Island One was necessary, possible alternative approaches to Island One and the historical perspective of Island One. They noted that while no one could say with certainty that property values would not be adversely affected by the change; the consequences of allowing the Club to deteriorate would undoubtedly be enormously harmful to all property owners. What the Club needed was the assurance of adequate Club memberships in the future. In this manner the assets of the Club could be maintained and improved and new facilities provided. Voices of Reason listed approximately 160 Seabrook families who were in favor of the Island One proposal.²⁴²

At its February of 2004 meeting, the SIPOA Board of Directors approved the IOC’s mission statement, viz., “to critically assess the impact of an All Seabrook Island Club that would one day include all property owners. This assessment will include . . . considerations of legality as well as real estate impact, financial impact, organizational structure and management impact and quality of life on Seabrook.” At the same time, Club President Ed Stormer reviewed for Club members the decline of the economic condition of the Club after the year 2000, and the withdrawal of the Club from the conference and villa rental business.

That same month, Dick Muenow asked Jim Leib to become Vice Chairman of the IOC. At the IOC’s February meeting, it was noted that the Club was not participating directly in the IOC (i.e., no member of the Board of Governors had an official position on the committee). Rather, the Board of Governors had decided that it would explore the “all Seabrook Island Club” concept on its own, and had formed a “One Seabrook Committee” with the objective of working towards passage of the referendum, communicating the direction of the Club and assuring property owners that their privileges

²⁴² Voices of Reason in Support of Island One

whether members or non-members, would be protected and stay intact.²⁴³ The IOC agreed that it would be best if the property owners (through the IOC) assessed the concept and develop their own findings which at the appropriate time would be discussed with the Club's Board of Governors, and if agreement between the Club and SIPOA could be reached, the concept would then be submitted to property owners and Club members in separate referenda. Concern was expressed by some IOC members as to whether in fact the SIPOA should be the moving force for what was perceived as a "Club solution." A consensus was reached among IOC members that it would be appropriate for the SIPOA to investigate and prepare an all-island concept and provide the Club with a finished product for consideration by the Club's members.

At this meeting it was reiterated that "grandfather" issues had been a major concern of some property owners, and that the notion of reasonableness and fairness on this issue should be communicated to all property owners.²⁴⁴ As a follow up to that point, and for both reasons of legality and fairness, the IOC reaffirmed the position taken earlier by the SIPOA Board of Directors that no then current property owner would be required to join the Club – only new property owners. The "grandfather" concept was formally adopted by the IOC in March of 2004. In response to other issues raised by property owners, it was also determined that if title to property held by a current property owner passed to a spouse or other family member via will, trust or laws of intestacy, so long as there was no sales transaction, all rights of the current property owner would inure to the benefit of the recipient.²⁴⁵

In March of 2004, a group of property owners obtained a number of signatures on a request which was submitted to the SIPOA Board of Directors asking the board to poll property owners on the question of whether funds should be expended to explore the viability of the Island One concept. The Board of Directors responded to the request by stating that the approved annual budget clearly indicated that sufficient funds had been allocated for the purpose of Island One due diligence and that taking the pulse of property owners by a "mail poll" as these property owners had requested, could be

²⁴³ Board of Governors minutes, July 26, 2004

²⁴⁴ IOC minutes, February 26, 2004

²⁴⁵ Island One Grandfathering Conditions adopted March 25, 2004

considered a binding referendum.²⁴⁶

At its March 28th meeting, the IOC agreed to a time line for Island One which included two town hall type meetings which were to be held in mid-May and early September. The purpose of the first meeting would be to present the concept and obtain property owner feedback. The purpose of the second would be to present complete details of the concept, describe the referendum process and outline any suggested changes to the SIPOA By-laws and Protective Covenants. At this meeting, the IOC modified the “grandfathering” conditions to provide an additional exemption for the laws intestacy.²⁴⁷

In early April, the IslandVoice made a second mailing to property owners in which its organizers stated that it would act as an advocate for all property owners in the development and governance of Seabrook, and indicated that three IslandVoice members were on the Island One Committee. The IslandVoice’s April letter provided specific detail on the organization’s arguments against the adoption of Island One. On April 8th, a letter was sent by the IOC to Seabrook property owners providing additional information regarding the Island One concept. The IOC letter included a timeline, mission statement, definition of key terms and responses to a number of questions which had been raised by property owners. The IOC also announced that an informational meeting for property owners would be held on Saturday, May 15th.²⁴⁸

Permar Associates, a Charleston marketing consultant was authorized by the IOC at its April 15th meeting to conduct a study the end product of which would be a report (the “Permar Report”) which would provide detail regarding the trend of real



photo by Bob Hider

²⁴⁶ Letter to W.C. Hamilton from Larry Blasch SIPOA President dated April 27, 2004

²⁴⁷ Minutes – Island One Committee, March 25, 2004

²⁴⁸ IOC letter dated April 8, 2004

estate values in those communities within Seabrook’s geographic region that had converted to mandatory club membership. The cost for the study was not to exceed \$7,500.²⁴⁹

On April 26th, the Club’s Board of Governors tentatively endorsed the SIPOA’s Island One concept. The Board of Governors indicated that before it would make a formal endorsement of the proposal, it would wait on the final recommendation of SIPOA’s Island One Committee and would support a sharing of the funding requirements to complete the review and due diligence of the concept. The endorsement was given with the understanding that the Club would remain a separate and distinct entity from the SIPOA. The Club also agreed to share with SIPOA the cost of studies of the effect of the concept on real estate values, legal review of the issues (including SIPOA and Club Bylaw review) and, where it was deemed appropriate, communication expenses.²⁵⁰

In cooperation with the IOC the Club Membership Committee and Board of Governors announced that it had created three new categories of membership: “Sustaining,” “Entry Level” and “Entry Level Unimproved Lot” which were announced at the Club’s open Board of Governors meeting on April 26th. These new categories of memberships were created to satisfy the Island One requirement of a low cost, value-oriented membership that would have no impact on property value resales. The Entry Level membership was priced at \$6,000, required a seven year commitment, and provided no return of the initiation fee. Entry Level Unimproved Lot membership was

intended for lot purchasers who would not have significant use of the Club’s facilities until a home was constructed on the lot. These memberships were priced at \$2,000, with annual dues of \$1,000 and no food and beverage minimums.²⁵¹ As a special incentive to then current



photo by Bob Hider

²⁴⁹ IOC minutes, April 15, 2004

²⁵⁰ Board of Governors minutes, April 26, 2004

²⁵¹ Board of Governors minutes, April 26, 2004

photo provided by Meg Rathbun



*Photo of the Ocean Wind's green #13 taken
from Meg Rathbun's home on Beachcomber Run.*

the History

Seabrook property owners, the “Entry Level” memberships were offered at half price during the period of June 1, 2004 through December 31, 2004.

IOC members reported to property owners on their visits to Dataw and Callawassie (both South Carolina island communities that had recently converted to mandatory club membership) at the IOC’s May 8th meeting. Those members who had made site visits to the two communities reported that residents of both communities appeared to be sufficiently happy with the conversion, and had indicated that if given the opportunity to do so, they would do it all over again. The members of the IOC’s Real Estate Subcommittee reported at this meeting that they had found no “game stoppers” in their visits to the two communities.²⁵²

The May 15th town meeting was attended by approximately 550 property owners, and consisted of 90 minutes of presentation followed by a 60 minute question and answer period. At this meeting the Club reported to property owners on the changes which had been made to its business model over the prior several years, and Club president Bill Mowat stated that the Club had embarked on a new strategy of being a member and resort guest club, having exited the conference and direct villa rental and management businesses.²⁵³ A forty minute presentation on the effects of conversion to mandatory membership was made by Robert M. Patasnick, a partner with the auditing firm of McGladrey & Pullen, LLP.²⁵⁴ Because of his involvement with many club-based communities that had converted to mandatory club membership, Mr. Patasnick was considered to be an expert on the subject.²⁵⁵ Mr. Patasnick stated that a fundamental principle of the concept was that community club membership was an amenity, and that declining club membership would affect everyone financially. Mr. Patasnick noted in his presentation that the Island One proposal was not an instant fix, but rather a long term solution and that community membership would result in long-term stability for the Club and community. In his report, Patasnick stated that substantially all new developments were being designed

²⁵² IOC minutes, May 8, 2004

²⁵³ Seabrook Town Meeting, May 15, 2004

²⁵⁴ Patasnick was a partner with the firm of McGladrey & Pullen, LLP. He represented over 160 private, member-owned country club and large-scale community association clients in Florida.

²⁵⁵ IOC letter to property owners, dated June 7, 2004

from inception as community club membership communities – particularly on the west coast of Florida (e.g., Naples and Fort Myers); and that more mature communities such as those found on Florida’s east coast were faced with converting to mandatory membership to “catch up” with this “highly visible trend.”²⁵⁶ Mr. Patasnick referenced specific examples of communities (mostly in the south Florida area) that had achieved economic stability through the conversion to mandatory membership. At the meeting, those property owners in opposition to the proposal expressed concern about the impact that mandatory membership could have on the Island’s real estate values, and the fact that alternative solutions to what were perceived as the Club’s problems were not being explored.²⁵⁷

Probably in response to the questions which had been raised by property owners at the town meeting, at the committee’s May 24th meeting several IOC members asked whether and to what extent financial solutions for the Club, other than Island One, had been explored. The IOC members were advised that such inquiry was outside the scope of the IOC’s mission statement. At the same meeting, the IOC received and approved final reports from its various subcommittees (Real Estate, Legal and Communications). The Real Estate Subcommittee Report noted that there were no communities to study that would be precisely analogous to Seabrook, which had a number of very unique features such as its oceanfront location, ratio of condominiums and villas, Club entry fees, etc. The report stated that among the communities which had been studied the “preponderance of evidence suggested that real estate values would be positively affected by required Club membership and proper maintenance of the Club’s and Island’s amenities. Also, among the real estate brokers interviewed (including



photo by Bob Hider

²⁵⁶ Community Club Membership, Robert M. Patasnick

²⁵⁷ Joint Meeting of the SIPOA and the Club, May 16, 2004

Seabrook Island Real Estate), the majority were not opposed to the required club membership concept.” Based on the perceived impact of the Island One concept on property values, the IOC Real Estate Subcommittee recommended that SIPOA should proceed with a referendum of property owners on mandatory club membership for future property owners.²⁵⁸

The IOC’s Real Estate Subcommittee’s final report also noted that the committee’s retained consultant, Permar, had been unable to identify communities that were directly comparable to Seabrook and that had converted to mandatory club membership. Permar stated that “Communities initially identified as relevant [had] significant differences in community composition compared to Seabrook Island. These differences are likely to be critical in using the community models, particularly in terms of the likely impact of the conversion on real estate.”²⁵⁹ Accordingly, it was not able to make a “rigorous econometric analysis of the effect of conversion on real property values.” It did, however, cite one study of south Florida communities, prepared by Integra Realty Resources (February 2004) that unequivocally supported conversion to mandatory membership. Further, the communities studied by the Real Estate Subcommittee – Dataw and Callawassie, as well as a number of Florida properties – had reported no adverse impact on real estate property values. The Permar report concluded that “It [was] unlikely that a conversion to a mandatory membership, in and of itself, [could] be definitively shown to negatively impact real estate values. Real estate data for

Dataw and Callawassie show neither a positive or negative measurable impact of the conversion.”²⁶⁰ Critical to the underlying premise of Island One, the Permar Report did state that “The Seabrook Island Club facilities and amenities, particularly the golf courses,



photo by Bob Hider

²⁵⁸ Minutes, Island One Committee, June 25, 2004

²⁵⁹ Permar – Potential Impact of Mandatory Club Conversion on Seabrook Island Real Estate

²⁶⁰ IOC Real Estate Subcommittee Final Report June 25, 2004

create value for all properties within the community. Industry research supports the fact that, all else being equal, people will pay more to live in a golf course community. Further, it is clear that the quality of the Club and POA facilities, their maintenance, and their financial stability are inextricably linked to real estate values.”²⁶¹

The ICO Legal Subcommittee concluded that assuming the SIPOA and Club Bylaws were properly amended, there would be nothing to prevent the two organizations from moving forward with the project (viz., the Island One concept was legal for Seabrook). That conclusion was supported by the opinion of independent outside counsel, Terry Finger of the Hilton Head law firm of Finger & Andrews P.A. Mr. Finger had reviewed SIPOA’s Protective Covenants and Bylaws, the Club’s Bylaws, the IOC’s grandfathering conditions and the Club’s Entry Level Membership concept. Based on his review of these documents, Mr. Finger concluded that the Island One concept was legally permissible provided the constituent documents of the two organizations were properly amended and the requisite number of votes of property owners and Club members were received.²⁶² Earlier, Mr. Finger had opined that South Carolina law permitted the Island One concept, noting that there was no South Carolina law, either statute or case law, that would prohibit the implementation of validly passed Covenant and Bylaw amendments.²⁶³

At its June 25, 2004 meeting, the IOC reported that it had fully developed a concept (viz., Island One) which (i) had been found by independent counsel to be legal and capable of withstanding court challenge, (ii) would preserve property owner rights under the SIPOA Protective Covenants, (iii) would not adversely impact, and more than likely would positively impact real estate values, and (iv) would result in SIPOA and the Club remaining independent from one another. As a result of the foregoing, the IOC endorsed the Island One concept and recommended (on a roll-call vote of fourteen in favor and six opposed) that the SIPOA Board of Directors proceed with an Island One referendum to be held on September 1, 2004, and, subject to property owner approval, that the effective date for implementation of the Island One

²⁶¹ Permar – Potential Impact of Mandatory Club Conversion on Seabrook Island Real Estate

²⁶² Finger & Andrews letter dated June 15, 2004

²⁶³ Finger & Andrews letter dated June 9, 2004

concept be set as January 1, 2005. At this meeting the IOC concluded that its work was completed and the next steps would be left to the SIPOA Board of Directors. The promotion of the Island One concept and the need (or not) for an additional town meeting would also be left up to the SIPOA Board of Directors.²⁶⁴

At its June 28th open meeting, the Club Board of Governors passed a resolution supporting the IOC's recommendation to take the matter to a referendum of property owners and formally endorsed the Island One concept, and recommended that the SIPOA Board of Directors approve and adopt the IOC recommendations.²⁶⁵ At the same time, the Board of Governors agreed with the SIPOA Board of Directors that additional due diligence was required on the Island One concept generally.

Two weeks later the SIPOA Board of Directors endorsed the Island One initiative and passed a resolution directing that the issue be placed on a referendum for consideration by all Seabrook property owners on or before October 1, 2004. As presented to property owners, Island One was described as a plan whereby all future purchasers of Seabrook property (after December 31, 2004) would be required to purchase a membership in the Club at some level. The rights of all then current property owners (both Club members and non-Club members) would be protected by a "grandfather clause" in SIPOA's Protective Covenants which would ensure that neither they, nor their heirs would ever be required to join the Club.

Permar, the IOC's real estate consultant, had been criticized for missing a number of established deadlines, and did not deliver its final report to the IOC until July of 2004. The report noted that Permar had been provided by the attorneys representing SIPOA with a list of communities that had been through the conversion process – communities that they had identified as resort properties with short term rental components. Based on its review of these communities, Permar had concluded that it was "unlikely that conversion to a mandatory membership, in and of itself, can be definitively shown to negatively impact real estate values." Further, industry research conducted by the IOC supported the fact that everything else being equal, people would pay more to live in a golf course community; and the financial

²⁶⁴ Minutes, Island One Committee, June 25, 2004

²⁶⁵ Board of Governors minutes, June 28, 2004

instability of a club operator, particularly when coupled with the maintenance deferral which would follow as a consequence of such financial instability, would prove to be detrimental to real estate sales. Permar offered three provisos to its conclusions: (i) communities initially identified as relevant to the IOC's study, had significant differences in community composition when compared to Seabrook, (ii) nationally, there appeared to be a downward trend in the demand for golf courses, and (iii) potential purchasers of real estate were accustomed to buying decisions that offer choice and control.

While no directly comparable communities were identified in the Permar Report, the real estate values of so-called "model" communities postulated for the Island One proposal were not adversely impacted by a conversion to mandatory membership. Permar divided the market for Seabrook properties into a number of segments and noted that changes must work for each of the market segments represented in the Seabrook property owner base in order to avoid adversely impacting any group of property owners, and that certain market segments might object to mandatory membership.²⁶⁶ Opponents of Island One pointed out the apparent negative conclusions drawn from mandatory membership which were sprinkled throughout the Permar Report. Proponents of Island One relied on the fact that as noted above, Permar was unable to find any communities which were directly similar to Seabrook. In response to concerns that it was ignoring the conclusions set forth in the Permar Report, IOC stated that it did not "dismiss" the Permar Report, but rather thought that the IOC had other and more relevant information on which to base its recommendation to the SIPOA Board of Directors. The IOC believed that its other information sources (for the most part, Bob Patasnick and personal calls and visits made by the Real Estate Subcommittee) were more reliable.²⁶⁷

In response to property owner concerns regarding the financial strength of the Club, in July, the SIPOA Board of Directors requested the Club to permit it to perform additional due diligence of the Club's "financial picture." SIPOA formed a five member Finance Subcommittee under the direction of

²⁶⁶ Permar – Potential Impact of Mandatory Club Conversion on Seabrook Island Real Estate, July 2004

²⁶⁷ Response prepared by Ike Smith, IOC Real Estate Subcommittee Chair, undated

Fred Kreusch to examine the Club's financial condition and future plans.²⁶⁸ After completing its due diligence, the Finance Subcommittee submitted its written report to the SIPOA Board of Directors in September. Its report concluded that the Club had significantly reduced expenses, but that it needed to increase revenue in order to maintain its current facilities and to plan for new or upgraded amenities for the Island. The Finance Subcommittee also noted that there was a limit to the extent to which reducing costs would solve the Club's long-term problems, and suggested that the Club would have to have sustained membership growth in order to be successful. The Subcommittee also examined the several options which had been suggested as alternatives to Island One, and had concluded that none of the suggested alternatives were viable.²⁶⁹

Later in the month of July, the SIPOA Board of Directors created the "One Seabrook Campaign" Committee (the "OSCC") under the chairmanship of Jim Leib. A week later the Club's Board of Governors designated its representatives to the OSCC including Ed Puckhaber and Jay Hague.²⁷⁰ The purpose of the OSCC was to gather and disseminate sufficient information regarding the positive and negative aspects of the Island One concept, and to bring the upcoming referendum to a successful conclusion.²⁷¹ The objectives of the committee were to let everyone know that there would be a referendum, encourage them to vote yes, and explain the reasons why they should do so. Pursuant to that charge, the OSCC conducted an aggressive campaign in support of Island One, which included telephone surveys, market segment target messages, mailings to property owners, "town meetings," distribution of bumper stickers, and a comprehensive telephone campaign.²⁷² Approximately 100 volunteers who were charged with making telephone calls

²⁶⁸ Letter from Blasch to Mowat dated July 9, 2004. Members of the Subcommittee were Fred Kreusch, John Genovese, Hank Greer, Richard Hughes, and Jerry Wilson

²⁶⁹ SIPOA Finance Sub-Committee Report to Property Owners, September 14, 2004

²⁷⁰ Board of Governors minutes, July 26, 2004

²⁷¹ Members of this committee included: Lisa Berl, Jerry Brown, Peg Clarke, Ronda Dean, Tom Flynn, Bob Giuffreda, Jay Hague, Larry Hittner, Denise Kotva, Jim Leib, Richard Marion, Ed Puckhaber, Joe Salvo, Ike Smith, Marlin Stover, and Ed Williams. Blasch, Mowat and John Wilderman served as ex-officio members and Don Borchert, Eve Herbick and Tom Prevost served as corresponding members.

²⁷² OSCC meeting minutes, July 20, 2004

to property owners were given extensive training and instruction and were provided with a list of discussion points. OSCC members also published articles in support of the proposition for publication in the Seabrooker and Ocean Views.²⁷³

Among other things, OSCC prepared an extensive position paper in response to those property owners (including the IslandVoice) who cited aspects of the Permar Report as justification for opposing Island One. In the position paper OSCC stated that the Island One Committee did not “dismiss” the Permar Report as suggested by the IslandVoice. It simply thought that it had other, more relevant and more reliable information, such as the Patasnick Report and personal calls and visits made by the IOC’s Real Estate Subcommittee on which to base its recommendations. The OSCC noted that Permar had been retained to assist in determining the potential real estate impact of the proposed conversion to mandatory community membership and that their mission was to assemble hard econometric data that could be used to validate or invalidate the IOC’s real estate assumptions. The OSCC stated that Permar was unable to find any directly comparable communities, and accordingly was unable to adequately discharge the function for which it had been retained. The OSCC noted that to its credit Permar had charged the OSCC less for the project than it quoted because of this failure. The OSCC quoted Patasnick as saying “I can only convey my ‘anecdotal’ but overwhelming client feedback which has been that converting to [mandatory membership] saved their communities and immediately reversed serious membership issues by stabilizing revenues and re-creating community consensus. Those communities that have all converted are now flourishing (no bad stories to tell – just the opposite) and those that have not converted are dying a slow and painful death with their former club members and supporters generally migrating to the [mandatory membership] communities where there is more stability and sustained high quality surroundings not to mention perceived affordability and



photo by Bob Hider

²⁷³ OSCC minutes, August 17, 2004

value.”²⁷⁴

The second all Seabrook Island property owners Island One Town Meeting was held on Saturday, September 4, 2004. In addition to presentations made by the presidents of the Club and SIPOA, a presentation was also made by the chair of the SIPOA Financial Subcommittee which had, as previously noted, been directed to investigate the Club’s financial condition. Additional speakers making presentations to the town meeting included Ed Puckhaber who spoke on behalf of the Board of Governors, Joe Salvo who spoke on behalf of Seabrook Island Real Estate, and Terry Finger, the attorney retained by SIPOA who provided an overview of the legal issues raised by the Island One proposal. Following these presentations, there was an extensive question and answer period where property owners, including those opposed to Island One, were allowed to present their concerns.

Ballots for the vote on Island One were mailed to property owners on September 20, 2004. The package sent to property owners also included (as required by SIPOA Bylaws) a full description of the proposed amendment to the SIPOA Protective Covenants together with a summary of the amendment and the report of the Island One ad hoc Financial Committee.

Voting on Island One was conducted during the period from September 20, 2004 through November 4, 2004. The results of the vote were announced on November 15, 2004. Out of a total of 2,293 eligible voters, 1,519 votes were cast in favor of the Island One proposal, 762 votes were cast against and 12 abstained.²⁷⁵

During the period of November 1st through December 31st the Club established a 60 day trial “Window of Opportunity” where the Club’s facilities were open to all property owners on a guest of member fee basis, and discounted memberships were made available to those who wished to join. By the time of the 2005 Club Annual Meeting, the Club believed that it had stopped its membership shrinkage. During the prior year, the Club’s membership grew to a level of 1340. The Club reported that it was already beginning to see the benefits of Island One reflected in new member fees. For 2004, the Club showed a consolidated net profit of \$585,000, Club banking relationships had been improved and interest rates were reduced. It

²⁷⁴ Permar Report . . . the Rest of the Story

²⁷⁵ Summary, Island One Voting Results

was likewise reported that the Club continued to show a strong balance sheet with \$14.6 million in equity and only \$4.4 in total liabilities.²⁷⁶

At the same time, real estate sales on Seabrook Island were reaching an all time high. It was reported that through 2004, the Club's real estate company was involved in new contracts on 180 properties compared with only half that number a year earlier. The inventory of listings on Seabrook, including lots, villas and homes had dropped from over 10% of all Seabrook properties during the prior year to 4% by mid-2005. High Hammocks were selling in the mid 300's, a Beach Club villa listed at over \$1.1 million, and an upper level Pelican Watch Villa listed at over \$500,000. Wedgewood villas were selling near \$300,000 and a one bedroom Shelter Cove went for \$249,000. Summerwind cottages had sold at \$350,000. Overall, prices were up over 30% from a year prior.²⁷⁷ Total sales for Seabrook Island Realty in 2004, exceeded \$110,000,000. This shattered the previous record in 1997 of \$72 million. The average sales price for a single family home brokered by Seabrook Island Realty during the prior year was about \$750,000. The average prices for vacant lots and for villas were \$354,000 and \$275,000 respectively.

²⁷⁶ Annual Member Meeting, February 15, 2005

²⁷⁷ Ocean Views, May 2005



New Logo, New Name and New Publication

When the Club was formed, the Board of Governors decided to leave the logo which had been used by SIOC essentially unchanged – i.e., a white palmetto on a variety of background colors. After continuing to use that logo for a number of years, the Club decided to make a change. The Seabrook Island Real Estate company had been working with retained marketing consultants on a unified image of Seabrook. This included a full public relations program to raise the awareness of Seabrook Island in the Charleston area in particular and along the Atlantic coast in general. At its December 20, 2004 meeting, the Board of Governors approved a resolution authorizing the development of a new “identity plan” developed by the marketing consultants with the Club as owner of a new logo which it would license to the real estate company and others.²⁷⁸ At the 2005 Annual Members Meeting, the Club unveiled its new logo changing from a stylized palmetto tree against an orange background to a blue conch shell.²⁷⁹ The new logo was developed in late 2004 and the Club began to actually use it in advertising in early 2005. The Club filed its trademark application for the new logo on August 24, 2005. The registration was granted by the United States Patent and Trademark Office on August 19, 2008. On January 16, 2006, the Club and SIPOA entered into a license agreement whereby the SIPOA was granted the right to non-exclusive use of the Club’s logo in connection with services rendered to property owners and others on the Island.

²⁷⁸ Board of Governors minutes, December 20, 2004

²⁷⁹ Annual Member Meeting, 2005

In April of 2007, the name of the Club was officially changed from “The Club at Seabrook Island, Inc.” to the “Seabrook Island Club.”²⁸⁰ Even though the names of the two entities are now the same, it is important to keep in mind that the Seabrook Island Club is an entirely separate legal entity from that which existed in the early 70’s as an unincorporated entity under the Seabrook Island Company.

Over the years the Club and SIPOA had communicated to members and property owners independently. Then in April of 2004, SIPOA and the Club had joined together in the establishment of a joint newsletter called the Ocean Tides. The name was chosen jointly by the communications committees of both organizations because tides bring change, carry life and are essential to Seabrook Island’s existence. Ocean Tides also signified the evolution of the two organizations. The joint publication consolidated the SIPOA’s Seabrook Islander and the Club’s Ocean Views into a single communication piece. The publication contained integrated Island coverage of both organizations, including a combined calendar of events. The Club and SIPOA published the Ocean Tides for about three years before it was decided to terminate the joint effort.

In January of 2009, the Club introduced its new newsletter – the Veranda. The Veranda replaced the Ocean Tides as the Club’s publication. For cost reasons, it was initially published once every two months.²⁸¹ Unlike the Ocean Tides, the Veranda was dedicated solely to news and information concerning the Club. In January of 2010, the Veranda became a monthly publication.

²⁸⁰ Board of Governors Minutes, April 23, 2007

²⁸¹ the Veranda, January February 2009



Revised Club Membership Plan

In August of 2005, the Board of Governors proposed an amendment of the Club's Bylaws, effective January 1, 2006, which would (i) eliminate the offering of refundable equity memberships after December 31, 2005, (ii) preserve the equity redemption rights of then current equity members as of December 31, 2005, (iii) create new membership categories, and (iv) add additional Bylaw provisions relating to the transition to nonrefundable equity memberships.²⁸²

The revised Membership Plan proposed to simplify the basic set of future membership choices to three: Full, Sports, and Community (plus Community Unimproved Lot for lot owners). The principal feature of the new Membership Plan was to discontinue all refundable equity memberships after December 31, 2005, replacing such memberships, somewhat in kind, with new "Nonrefundable Equity" memberships. As proposed, the nonrefundable equity Full Membership would be entitled to the same benefits of a Full Resident Membership, viz., unlimited access to all amenities and facilities. The proposed "Sports Membership," was designed to be a halfway point in terms of cost and available benefits between the Social / Community and Full memberships. An equally important feature of the Membership Plan was to "freeze" the equity value of all then current refundable equity members at the level of equity each member would have received assuming they had resigned on December 31, 2005.

The Board of Governors offered substantial rationale for the proposed changes. When the Club was formed in 1991, property owners were asked to contribute a sizable amount of capital (nearly \$10 million) in joining fees to

²⁸² Referendum Ballot, August 30, 2005

purchase the amenities out of bankruptcy. At that time, there was a certain amount of risk involved to those who stepped forward and joined. The founders believed that refundable equity memberships lessened the risk and were an attractive selling point. As the Club became more stable, the risks were fewer, and it was thought that refundable equity memberships were no longer needed to attract new members – not to mention the mandatory membership features of Island One. In addition, the Club derived substantial benefit from the change. In the long term, once all current refundable equity members left the Club through attrition and redeemed their equity, all new equity capital would remain with the Club to provide the cash necessary to meet capital needs. In the short term, it was estimated that \$3 million in cash flow would be moved forward three to five years by retaining half of the incoming capital.²⁸³ The Bylaw change also revised the circumstance under which a Club member who downgraded his membership to a lower category would receive a partial redemption of its equity interest. Prior to the revision a member who downgraded his membership to a different category would receive a return of eighty percent of the difference in equity between the two categories (less application fees paid). After the Bylaw revision that was no longer the case. In addition, the allocation of incoming equity capital toward redemption of resigned refundable equity memberships was changed from 100% to a minimum of 50%. More than 50% could be allocated at the discretion of the Board of Governors.²⁸⁴

Ballots for the referendum on the new membership plan were mailed to Club members on August 30, 2005. The referendum passed easily.

A new “Social” membership was established as of January 1, 2007. The Social membership replaced the Sports membership and was available to new members of the Club as upgrades from lower grade memberships, as a lateral change for Full Nonresident, Sports, and Tennis members, and a downgrade from the Full membership. The Social Membership included unlimited use of the tennis facility and use of all other amenities and facilities of the Club. Social Membership also included 25 rounds of golf annually at the cost of a

²⁸³ Membership Plan

²⁸⁴ Referendum Overview, August 30, 2005

cart fee only.²⁸⁵ At the same time, the “Sports” Membership was no longer made available to new members or as an upgrade or downgrade option. Existing Sports members could maintain their memberships in that category.

With a few exceptions, while there has been a shift between categories of memberships, the number of memberships in the Club had increased on a consistent basis since the formation of the Club in 1991. Irrespective of the controversies which had arisen associated with the construction of the Club’s new facilities, the economic down turn, the depression of the real estate market and threat of additional member assessments, membership in the Club over the two-year period of 2007 to 2008 had decreased by less than 2%.



photo by Bob Hider

²⁸⁵ Board of Governors minutes, December 11, 2006



The Horizon Plan

In the early part of 2000, the Club's need for new or improved facilities had become apparent. At that time, the Club's Managing Director reported that several large spending groups had "outgrown" the Island and were taking their conference business elsewhere – recall that the Club did not exit the conference business until October of 2003.²⁸⁶ As early as April of 1999, the Club's five year plan had called for the retention of an architect or consultant to identify changes or additions to the Island House which would be required to accommodate what was seen as a then increasing level of Club membership.²⁸⁷ Shortly thereafter, that effort was put on hold pending a review by the Board of Governors of the underlying assumption that renovation of the Club's facilities was required.

In March of 2001 the Board of Governors voted to re-visit the issue of the need for renovated or new facilities.²⁸⁸ Ultimately, the effort was resurrected through a joint effort of the Club and SIPOA, and was spearheaded by the Community Coordination and Relations Committee's Long Range Planning Task Force comprised of members of the Board of Governors, SIPOA's Board of Directors, Long Range Planning Committee members and Staff members of both the Club and SIPOA. The concept was expanded upon by property owner focus groups, member surveys and a comprehensive strategic planning initiative.²⁸⁹

²⁸⁶ Board of Governors minutes, March 12, 2001

²⁸⁷ Ocean Views, May 1999

²⁸⁸ Ocean Views, March 2001

²⁸⁹ Horizon Plan for Newcomers, April 2006

A “Design Consultant Selection Committee” under the chairmanship of Bill Crater, with the assistance of John Wilderman, Jim Leib, Chuck Fox, Linda Mesaros and local architect Marshal Driver, was formed to review and qualify potential independent consulting firms to develop an overall land plan for the Club. The Selection Committee was asked to review and qualify potential consulting firms that would be capable of assisting the Club to (i) develop an overall land plan for the Club’s property, (ii) provide assistance to the Club to re-design and enhance both the interior and exterior of its existing facility, and (iii) assist the Club in the implementation of its long-term plan.²⁹⁰ When it became clear that SIPOA should also be involved with the effort, Bob Guiffreda was added to the selection committee. A joint meeting of the Club and SIPOA was held on July 25, 2005 to consider the selection of a design firm to assist the Club and the SIPOA in their plans for the Horizon Plan.

The selection committee recommended that the Club and SIPOA engage the architectural firm of Niles Bolton Associates of Atlanta to consult with the Club in the development of a short term Land Use and Facility Plan and a long term Master Plan that would provide a guide in meeting the needs of current members and future Club membership growth. Niles Bolton had designed projects in over 42 states and 14 countries, and had been recognized in the industry for its expertise. Its experience included

work on more than 100 golf courses and country clubs world-wide. It was also noted that two engineering firms would be working with Niles Bolton to evaluate the electrical, mechanical, and plumbing of the Club and POA facilities.²⁹¹

Niles Bolton was engaged by the Club to perform a number of specific tasks, including preparation of (i) a detailed written report summarizing the Club’s operations and the physical



photo by Bob Hider

²⁹⁰ Consulting Firm Selection Committee Responsibility, April 22, 2005

²⁹¹ Joint Club SIPOA and Club Board meeting, July 25, 2005

condition of its existing facilities, including a comparison of Seabrook to similar communities; (ii) a rendered site plan depicting the overall planning strategy, incorporating all future phases as identified in the programming process; (iii) conceptual floor plans and perspective views of the Horizon Plan project; and (iv) a conceptual cost estimate to be prepared by an independent professional cost estimating firm (the estimate was to be a refinement and expansion of the architect's preliminary cost estimate). Niles Bolton's instructions included recommending new or redesigned growth facilities to facilitate the needs of membership growth over the next ten years.²⁹² At the same time, the Club's Board of Governors directed Niles Bolton to work closely with SIPOA to develop a community plan that identified and planned for future amenities desired by the Seabrook community as a whole.²⁹³

Initially, Niles Bolton conducted a detailed inspection of all of the Club's facilities.²⁹⁴ Following that inspection, in October of 2005, Niles Bolton prepared a recommendation to upgrade and renovate the Club's existing facilities, including correction of ongoing maintenance issues with the roofs of the facilities, redesign and replacement of inadequate lighting, repair of leaking windows, and completion of interior and exterior renovation. Costs ranged from \$2.29 million to \$5.99 million for renovation and upgrade of the Beach House and \$3.57 to \$9.2 million for renovation and upgrade of the Island House. It was determined, however, that the combination of increasing operating costs, especially for all of the obsolete electro-mechanical systems, and the necessary capital improvements which would have to be made to the Club's facilities would amount to the same or greater annual outlays of cash than the anticipated debt service on new facilities.²⁹⁵ Niles Bolton presented a number of alternative approaches of the project to the SIPOA / Club Community Coordination and Relations Committee and to the Club and SIPOA boards. After numerous revisions, the Design Selection Committee recommended one concept as the Seabrook Island Unified Facilities Master Plan – i.e., the Horizon Plan.²⁹⁶

²⁹² SIC Request for Proposal Form

²⁹³ Ocean Tides, October 2006

²⁹⁴ Niles Bolton Associates, Master Plan Proposal July 7, 2005

²⁹⁵ Seabrook Island Master Plan, Niles Bolton Associates, October 4, 2005

²⁹⁶ Ocean Views, January 2006

In December of 2005, the SIPOA and the Club entered into a Memorandum of Understanding that called for the joint adoption of the Niles Bolton conceptual plan or “some mutually acceptable variation thereof” as the “Unified Facilities Master Plan” for Seabrook Island with the intent of providing property owners and Club members with architecturally consistent amenities. The plan consisted of two components: (i) a community center and lake site pavilion constructed near the entrance to Seabrook at Palmetto Lake constructed by SIPOA; and (ii) a new clubhouse with dining facilities and a new beach club with refurbished swimming pools constructed at a cost of twenty million dollars by the Club.

The Horizon Plan culminated the evolving change in business strategy that the Club had initiated approximately four years earlier. The Island’s existing structures, a stucco-and-steel Beach Club and the Island House restaurant were essentially built by the developers of the Island for a resort rental business and conference business which had been the fundamental business plan at the time of the formation of the Club. However, at this point in time, both the Club and SIPOA were focused on attracting more full-time residents to the Island, and it was considered that the Island’s current amenity structure was neither sufficient nor appropriate to attract high-end purchasers of homes and villas. The Horizon Plan also marked success for the SIPOA which a number of years earlier had failed in its efforts to pass a referendum which sought approval for the construction of a recreation center.

Niles Bolton made a public presentation of the Horizon Plan at the annual meetings of both the Club and SIPOA in February of 2006.²⁹⁷ As presented by Niles Bolton, the conceptual plans called for creating two activity nodes on Seabrook: one to be located on the Palmetto Lake Site, and the second at the Club’s current beach location. The plan called for the Club’s beach location to be totally rebuilt. The new clubhouse and restaurant facilities were to be joined by a comprehensively designed meeting and events center. These facilities were to be built on the land directly adjacent to the existing Island House. The Club and SIPOA established a group of “Horizon Ambassadors” consisting of knowledgeable current or former board or committee members of both organizations whose job it would be to convey the story of the Horizon Plan to friends, neighbors, associates and groups.

²⁹⁷ Horizon Plan Update, May 2006

Horizon Ambassadors attended various meetings such as Newcomers and Thirsty Thursday with the objective of being available to answer questions and garner feedback regarding the project.

Following the presentation of the Niles Bolton report, a Horizon Plan Building Committee (the “HPBC”), was created with the authority to administer the contracts for the detailed design and construction of new and replacement facilities in the Horizon Plan upon approval of both (SIPOA and the Club’s) referendums. Under the terms of engagement of the HPBC, each of SIPOA and the Club was to appoint a contract manager who would serve as co-chairs of the HPBC.²⁹⁸ By late March of 2006 the Club’s Board of Governors had confirmed its appointment of Ed Williams and the SIPOA Board of Directors had confirmed its appointment of John Wells as co-chairs of building committee and as the organizations’ representatives to the HPBC.²⁹⁹ Following approval of the SIPOA and Club referenda addressing the Horizon plan, the HPBC would act as the “owners’ representative” to administer the contracts with architects, consultants, engineers, contractors and builders of the facilities on behalf of both organizations.



SIPOA Palmetto Lake House, 2009

photo by Bob Hider

²⁹⁸ Agreement for Terms and Conditions for Horizon Plan Joint Building Committee

²⁹⁹ Board of Governors minutes, March 27, 2006

Promptly after their appointment, Williams and Wells, Co-Chairs of the HPBC submitted the following as Standing Members of the HPBC: Jeff Bostock, Ron Houser, Ken Ingram, Jim Redmond and Don Romano.³⁰⁰ Each member of the HPBC was asked to execute and deliver a “Potential Bias and Confidential Information” form to ensure that their views would be completely independent and in the best interest of property owners and members. The HPBC met for the first time on April 13, 2006, to receive the materials developed by Niles Bolton & Associates to date.

In March of 2006, the Club announced that Brian Thelan had been retained as the new golf Head Professional replacing Alan Walker.³⁰¹

One of the important issues faced by the building committee was the perception that property owners had been told that they would be involved with the design process, yet it appeared that most of the decisions had been made before the property owners had been given an opportunity to comment and provide input. The consensus of the committee members was that the “At Large Members” of the Building Committee had to play an essential part of the process, and that the members of this group needed to be put into place as promptly as possible. The At Large Members were to serve as the information gathering arm of the HPBC. They were to obtain property owner input on various aspects of the Horizon Plan which in turn would allow the HPBC to complete the final project design within the financial limitations approved by the owners and members in the SIPOA and Club referenda respectively.³⁰² Forums were held with Club members and property owners to review and clarify the inputs received by the At Large Members.

Promptly thereafter, the HPBC appointed the “At Large Members” for specific elements of the Horizon Plan. The job of the At Large Members was to solicit and coordinate inputs from property owners and Club members who wished to provide recommendations or provide their services to support the individual elements during the design and construction phase of the project. The At Large Members included: Mary Dubois, Lisa Berl, Bill Holtz, Judy Bailey, Bob Cole, Linda Sivert, Jack Vincent, Gail Kavanaugh, Kay Maender, Fred Kreusch, Ruth Ann Prevost, Ray Gorski, Bev Hoover, Linda

³⁰⁰ Letter dated March 27, 2006, Williams and Wells to Prevost and Ahearn

³⁰¹ Board of Governors minutes, March 13, 2006

³⁰² Building Committee minutes, April 13, 2006

Mesaros, Richard Marion and Roger Banks. A website was created to enable the HPBC to track property owner and Club member design suggestions, committee work in progress and committee reports and presentations. At Large Members entered resident and member suggestions and related data to the website.³⁰³

The first task of the HPBC was to complete the design work of the proposed project. After it had completed an extensive research and interview process, on September 11, 2006, the HPBC announced that it had selected, and both the Club and SIPOA boards had approved, Glick / Boehm & Associates as architects and Trident Construction Company as general contractor for the Horizon Plan project.³⁰⁴ Both firms were Charleston based and each had extensive experience in club design and construction and were supportive of a “Design / Build” process. Both firms had sterling reputations within the industry and with their clients, many of whom were interviewed by the HPBC.

Following input from the At Large Members of the HPBC and others, the Club’s Horizon Plan design was finalized and ultimately consisted of (i) a new clubhouse facility constructed west of the existing Island House which would include a dining room, bar/lounge, private dining room, state of the art kitchen, board room, locker rooms, pro shop and cart and bag storage areas, and (ii) a beach club which would be closer to the main road, including a reconfigured pool, pool support building, outdoor bar and dining area and an expanded parking areas. The plan was designed to meet current and future Club needs and an anticipated increase population based on a build out of the Island.³⁰⁵ Ultimately, the size of the Beach Club facilities was limited by state law because of their proximity to the beach. The pools could not be any larger than the total square footage of the existing pools. New buildings were limited to 5,000 square feet of “heated” space. This was in addition to the existing Pelican’s Nest and Cap’n Sam’s facilities which were not



photo by Bob Hider

³⁰³ Building Committee minutes, June 16, 2006

³⁰⁴ Ocean Tides, April 2007

³⁰⁵ Horizon Plan Financial Summary

heated and were expected to remain albeit in a significantly different form.³⁰⁶ The estimated cost to the Club for the construction of its proposed facilities was \$22 million.

The contracts with Glick/Boehm and Trident were developed by a special committee of Seabrook property owners, including Chuck Fox and Linda Mesaros, each with many years of contract preparation, negotiation and administration experience using nationally accepted standard industry practices. The contracts were reviewed by outside counsel for the Club and SIPOA as well as special contract counsel. Concurrently with the selection process, the information required to transform the Horizon conceptual plan into detailed designs and construction documents was collected by the HPBC and its At-Large Members. Over a six-month period the HPBC augmented the conceptual plan with additional data and inputs provided by property owners and Club members, which had been posted on the Horizon Plan web page. Ultimately, over 200 property owners submitted comments and suggestions regarding the Horizon Plan design concepts.³⁰⁷

The first Horizon Plan Forum was held on April 18, 2006. The forum provided an opportunity for property owners and Club members to have their questions answered regarding the Horizon Plan. A month later, communications were sent to property owners introducing members of the building committee and describing the process that the committee would use to gather information and manage the final design process. At about the same



photo by Bob Hider

time, the Club and SIPOA entered into the Palmetto Lake Site Facilities Access Agreement whereby the SIPOA agreed to permit Club members, their family members and accompanied guests access to the Lake Site facility. It was also agreed that SIPOA reserved the sole right to determine reasonable fees for such access.³⁰⁸

³⁰⁶ Horizon, Answers to Frequently Asked Questions

³⁰⁷ Board of Governors minutes, March 26, 2007

³⁰⁸ SIPOA / Club Palmetto Lake Site Facilities Access Agreement

SIPOA and the Club each held referenda seeking approval to borrow money to further develop and construct facilities at the Palmetto Lake Site and the Gate House and, from the Club's perspective, to construct a new club house containing a bar/lounge and private dining room in addition to golf facilities, an events center facility with a ballroom and meeting rooms and a new Beach Club together with renovation of the Tennis Center and Equestrian Center. The Island House would be the centerpiece of the site plan with two parking lots (east and west), a new memorial garden, larger and improved putting greens and driving range. The new beach club would feature a significantly enlarged Pelican's Nest restaurant (twice the capacity of the old facility) for outdoor dining with space for lounging, two pools and a pavilion for outdoor events.

Club members and property owners were not asked to approve specific floor plans, architectural styles or specific details in the Horizon Plan referenda. Rather, approvals of the referenda constituted affirmation of the concept of new and renewed facilities at both the Palmetto Lake site and the beach club site. In addition, the referenda were votes to approve financing the final design and then the construction of the Horizon Plan facilities. The drawings submitted by the Club with its referendum materials were only drafts which were anticipated as evolving over a period of time as more detail was added and as more input, including that of Club members was considered.³⁰⁹ It was a referendum about a concept, not floor plans.

The Club's financing for the Horizon Project in the amount of approximately \$20 million was obtained from the Bank of America. The interest rate on the Club's loan was set at One Month LIBOR plus 148 basis points. In addition, the Club put into place a series of secondary swap and collar agreements which fixed the One Month LIBOR rate for different tranches of the loan at various rates and for various time periods. All of the Club's real property was pledged as collateral for the loan. Of the loan amount, slightly over \$1 million was used to pay-off existing Club debt. The balance was available for Horizon Plan construction.³¹⁰ At the time the financing was obtained, the Club had projected, albeit incorrectly, that no additional member assessments should be required.

³⁰⁹ Club distribution to members dated June 23, 2006

³¹⁰ Board of Governors minutes, November 26, 2007

The Horizon Plan financing relied almost exclusively on real estate sales which not only generate income from the real estate company, but also provide new club members, and Club joining fees.³¹¹ The “[c]ritical cash flow assumptions” used in the Club’s financial modeling of the project included annual property turn-over projected at 11% of Seabrook properties over the five year period following the adoption of The Horizon Plan (this assumption affected Club membership fees, Club membership growth, dues growth and real estate profits), and an assumption that the profitability of the Club’s operations could be maintained at the 2006 levels.³¹² Seen in context, the assumption appeared reasonable. The actual real estate turn-over for 2005 had been a very high 19%. Over the prior decade, the real estate turn-over rate at Seabrook Island had averaged 12.5%.³¹³ In making its projections, the Club had modeled a conservative real estate turn-over rate of 9% and a pessimistic estimate of 8.2%

Ballots on the Horizon Plan referenda were distributed to property owners and Club members, and a deadline of August 1, 2006 was established for return of both the SIPOA and Club ballots. All members of the Club in good standing as of June 16, 2006 were entitled to vote in the Club’s referendum. The results of the voting were announced on August 8th. Of the 2,479 total eligible SIPOA votes, 1,721 votes were cast: 1,356 (78.8%) for and 365 (21.2%) against. Of the 130,985 total Club votes, 102,555 votes were cast: 89,050 (86.8%) were cast in favor of the Horizon Plan, and 13,505 votes (13.2%) were cast against. Passage of the Horizon Plan by what the Charleston Post and Courier called “landslide approval” showed not only a desire to improve the look of the Island, but also to protect the Island’s heritage of natural beauty and Green Space conservation.³¹⁴

In September of 2006, the Club created a new class of membership, to be effective on January 1, 2007 called “Social.” This class of membership required a higher joining fee (\$20,000) and higher dues and was differentiated from the old refundable equity Social membership by changing the name of the old membership to “Social RE.” The new membership would have

³¹¹ Annual Membership Meeting Minutes, February 21, 2009

³¹² Horizon Project – Club Financing, undated

³¹³ Horizon Plan Update, May 2006

³¹⁴ Ocean Tides, September 2006

the same privileges as the “Sports” membership but it would have only 25 rounds of golf. At the same time, the Full membership joining fee was raised to \$36,000.³¹⁵ The “Sports” Membership was no longer offered after the first of the year, and more controversially, the Club eliminated (again effective January 1, 2007) the “Community” entry level membership.³¹⁶ Following upon the adoption of Island One, the elimination of this class of membership drew a number of complaints from a number of property owners who thought that this action would make the sale of real estate on Seabrook more difficult.

In October, the SIPOA Board of Directors passed a resolution recommending that the Club reconsider its membership changes and sent a letter to Club President, Tom Prevost, outlining the substance of the resolution and requesting a response. The Board of Governors authorized its representatives to meet with SIPOA representatives to reach a prompt resolution of this issue.³¹⁷ After discussions with the SIPOA Board of Directors, the Club reviewed its decision and, as an accommodation to SIPOA committed to the following: (i) the Community membership would be retained, at least for the time being, as EL-1, (ii) the 2007 joining fee would be \$12, 000 for the Community membership, (iii) the 2007 dues for this membership would be approximately \$2,000 and (iv) during the three year period 2008 – 2010, the cumulative annual joining fee increase for the Community membership would not exceed \$2,500.³¹⁸ The member benefits for this category of membership remained the same. The Club also maintained the Community Unimproved Lot membership category.³¹⁹

In October of 2006, Jeff Bostock replaced John Wells as the SIPOA’s representative to the HPBC.³²⁰ In early 2008, Ken Ingram replaced Ed Williams as the Club’s representative to the HPBC, however, Ed remained on the committee.



photo by Bob Hider

³¹⁵ Board of Governors minutes, September 11, 2006

³¹⁶ Ocean Tides, October 2006

³¹⁷ Board of Governors minutes, October 23, 2006

³¹⁸ Board of Governors minutes, October 30, 2006

³¹⁹ Ocean Tides, December 2006

³²⁰ SIPOA Board of Directors minutes, October 23, 2006

The Club materially amended its contract with ResortQuest in January of 2007. In particular, the Club would no longer pay marketing fees or commissions to ResortQuest. Following that date, ResortQuest could no longer authorize access to Club amenities to renters of Seabrook Island properties owned by property owners who were not Club members. Under the contract as revised, (i) the Club took control of amenity cards being issued for those staying on the Island through the implementation of a card swipe system, (ii) golf package rates were to be managed by the Club and (iii) Seabrook Island literature was to be placed in all rented properties.³²¹ Several months later, the Board of Governors determined that the benefits it was receiving from the Club's agreement with ResortQuest were "minimal," and that as Seabrook Island continued to evolve from a resort environment towards more of a residential and second home community, there would be less of a need to have a preferred rental company. Accordingly, in August, the Board of Governors decided to terminate the agreement with ResortQuest no later than December 31, 2007.³²² As a result of this decision, the Club began issuing amenity cards directly to rental guests as well as member guests early in 2008.

At the same time – presumably as a result of the Club's attempt to eliminate the Community entry level category of membership as noted above – a group of Seabrook Island property owners garnered a sufficient number of signatures on petitions to bring two referenda to a vote at the SIPOA's 2007 Annual Meeting. Each of the two referenda was an attempt to limit the authority of the Club to alter its dues and joining fee structure. The first proposition described the benefits associated with an "EL-1 membership" and proposed to fix the cost of an initiation fee for that class of membership at 25% of the cost of a Full membership as established by the Club.³²³ The annual dues were to be set by the Board of Governors



photo by Lisa Miller

³²¹ Board of Governors minutes, January 15, 2007

³²² Board of Governors minutes, August 27, 2007

³²³ EL is a designation for entry level membership

proportionate to the value of access granted, but in every case aligned equitably with other membership offerings. The second proposal was to amend the SIPOA's By-Laws to (i) establish a "Membership Oversight Committee" comprised of five property owners to be appointed by the SIPOA Board of Directors, and (ii) freeze the initiation fees and dues for an EL-1 membership at levels established on January 1, 2005, unless otherwise approved by the Membership Oversight Committee. At any one time, the Membership Oversight Committee was to have at least two non-resident property owners and not more than two Club members. As its name implied, the SIPOA's Membership Oversight Committee was to be responsible for overseeing and approving initiation and / or annual dues increases and / or changes in privileges associated with the Club's EL-1 and EL-2 membership categories.³²⁴

The argument in support of the first proposition was that the Board of Governors had created the EL-1 class of membership to provide a "low cost, value – oriented membership that would have no impact on property resale values." In addition, it was argued that replacing the EL-1 membership would result in an increase in the minimum initiation fee of 150%. Dues for the membership would increase by a like amount. The proponents argued that Article 40 of the SIPOA's Protective Covenants (which incorporated Island One) did not contain any limitations which would protect property owners against unjust increases in either joining fees or dues which the Club's Board of Governors might implement. Purportedly, the proposed amendments to the Protective Covenants would rectify that omission. The petitioners noted that resistance from the SIPOA Board of Directors to the planned increase "forced" the Club to reduce the annual minimum membership fee by \$8,000 in 2007. They noted, however, that the agreement between the SIPOA Board and the Club would permit increases in Club initiation fees in the cumulative amount of up to \$7,500 over the following three years, and that the cumulative effect of the increase in the initiation fees and dues would depress real estate sales.³²⁵ In fact, there were no increases in the EL-1 joining fee over the next three years, but rather a reduction in the fee for lower priced villas. Proponents thought the second proposal was required because the

³²⁴ SIPOA Referendum Ballot

³²⁵ Pro-Argument for Proposed Amendment #1 (Provided by the petitioner signers)

agreement that the Club signed with SIPOA permitted a 50% increase in the EL-1 joining fees for 2007, and a dues increase of up to 30% and puts no cap on dues after 2007.³²⁶ The counter-argument to the foregoing was that passage of the referendum would do little good since the Board of Governors could simply raise the cost of a Full membership to whatever level it thought appropriate – so that 25% of the Full membership cost would give the Club its desired community initiation fee. The Board of Governors opposed both petitions.

Neither proposition obtained sufficient affirmative votes to pass. Eight hundred and seventy-seven property owners voted against proposition number 1 as opposed to four hundred and sixty-eight voting in favor. Similarly, eight hundred and seventy-five property owners voted against proposition number 2 and four hundred and eighty six voted in favor.

By February of 2007 Horizon Plan site planning had proceeded to a point where the HPBC was able to approve Glick/Boehm's recommendations for the reuse and refurbishment of existing pools as the basis for the Beach Club site preparations and the layout for the clubhouse.³²⁷ A month later "high level" conceptual layouts for the Tennis Center, Equestrian Center, Gate House and Lake Site were reviewed and approved by the HPBC.³²⁸ At this point, it was still anticipated that modifications were expected to be made to the Tennis and Equestrian Centers. Later that month, the HPBC concluded that the potential savings that would be achieved through a "re-use" of the basic tennis center structure were not as great as had been originally anticipated, and the committee agreed to eliminate the re-use alternative in favor of a new site plan and building design presented by Glick Boehm which was deemed to fully meet the desires and requirements gathered from Club members, professional staff members and key Club committees.³²⁹ The Board of Governors approved the recommended change to the tennis facility from the original upgrade plan to an all new tennis facility several months later.³³⁰

The HPBC publicly presented finalized site plans on March 12th, and

³²⁶ Pro-Argument for Proposed Amendment #2 (Provided by the petitioner signers)

³²⁷ Building Committee minutes, February 9, 2007

³²⁸ Building Committee minutes, March 7, 2007

³²⁹ Building Committee minutes, March 15, 2007

³³⁰ Board of Governors minutes, June 11, 2007

allowed a two week period for property owner/member comment.³³¹ Plans and drawings had reached a point where it became appropriate to hold a joint Club and SIPOA Board meeting open to the public on April 19, 2007 to explain the status of the project and solicit comments from property owners and members. Approximately 400 property owners and members gave written input regarding the Horizon Plan project, and by March of 2007, the HPBC had arrived at a conceptual consensus on the project.³³²

The HPBC selected the firm of GMK Associates (“GMK”) to assist in the interior design of the Island House. To provide member input the HPBC appointed an Interior Design Advisory Committee consisting of Barbara Condon, Nancy Jones, Patty Matura, Rita Tyler and Sue Williams to advise it and GMK on such matters as local taste and preferences.³³³

At about this time it became apparent that notwithstanding the Club’s earlier financial projections, the Club would need to assess its members to meet the Horizon Plan costs and expenditures. As a result, the Board of Governors recommended that the Club’s membership approve a “refundable capital assessment” in the amount of \$3 million to ensure that the Club would have sufficient financial resources to have the Horizon Plan proceed on schedule.³³⁴ The assessment was to be paid over a 24 month period from January 2008 through December 2009. Alternative solutions such as a \$1.5 million subordinated public debt offering were deemed either impractical or too speculative. The membership approved the supplemental assessment by almost a 2 to 1 margin.

In June of 2007, in light of the financially weakening economy in general and real estate market in particular, the Club’s Board of Governors re-examined the financial aspects of the Horizon Plan. As a consequence of that re-examination, the Board of Governors directed the HPBC to put the planned improvements of both the tennis center and equestrian center as outlined in the Horizon Plan on hold.³³⁵ It was decided, however, to proceed with the major portions of the project. At the same time, revisions were being made to the operational aspects of the SIPOA’s Palmetto Lake Site. Initially, the plan had been for the Club to provide operational staff to operate all of

³³¹ Board of Governors minutes, February 18, 2007

³³² Board of Governors minutes, April 23, 2007

³³³ Building Committee minutes, September 12, 2007

³³⁴ Board of Governors minutes, September 10, 2007

³³⁵ Building Committee minutes, June 25, 2007

SIPOA's programs and amenities at the facility. After much deliberation and discussion with respect to the Lake Site's operations, SIPOA and the Club agreed that the Club would (i) have profit and loss responsibility for a limited food and beverage service, (ii) operate the "Kids Club" on a profit sharing basis and (iii) provide access, accounting systems, and maintenance for the Lake Site as a third party provider.³³⁶

The Horizon Plan ground breaking ceremonies were held on November 15, 2007 at the Racquet Club. The well attended event was covered on all local television channels and by the Post and Courier.³³⁷

Construction began at the SIPOA's Palmetto Lake site in mid-December of 2007. Silt fences and construction barriers were installed, the scrub pine trees and bushes were removed and the top soil scraped off the site.³³⁸ By early January the DHEC-OCRM approvals and the Town of Seabrook Planning Commission approval had been received for the two Club sites. The HPBC anticipated that Trident would bid out the work for the Club's facilities by the 21st of January of 2008, award contracts to successful bidders and start site work by January 29th.

The HPBC made every effort to incorporate environmentally friendly "green" practices into the design and construction of the Club's facilities to meet Leadership in Energy and Environmental Design standards, including: (i) lighting occupancy sensors in the bathrooms, dressing rooms, some offices and meeting rooms to turn off lights automatically when the rooms were unoccupied; (ii) sensor operated, low volume flush plumbing fixtures; (iii) high efficiency lamps for fixtures where applicable, (iv) low heat transfer windows, (v) pre-heating of pool water using heat from the dehumidification system for the indoor pool area and (vi) tree reuse and recycling of paving materials from the parking lot.³³⁹

The construction contract between the Club and Trident Construction Co., was executed on February 9, 2008, and stipulated among other things, that Trident would develop a "guaranteed maximum price" (GMP) for the construction of the Club's facilities. By April of 2008 the plans and drawings for the Club's facilities had been developed to a point where Trident was able

³³⁶ Board of Governors minutes, March 23, 2009

³³⁷ Board of Governors minutes, November 26, 2007

³³⁸ Building Committee minutes, December 19, 2007

³³⁹ Building Committee minutes, January 23, 2008; Annual Membership Meeting Minutes, February 17, 2008

to advise the Board of Governors that the maximum amount it would charge for the new Island House, Beach Club and Tennis Center projects (i.e., the “GMP”) would be \$18,703,250. The GMP included a contingency allowance of \$980,250. The HPBC reviewed all of the costs for the project which totaled \$22,231,800, the approved amount for the Club’s portion of the Horizon Plan with Glick/Boehm, and unanimously recommended acceptance of the GMP and related terms to the Club’s Board of Governors on April 4th. Following approval of the GMP by the Board of Governors, the HPBC directed Trident Construction to proceed with the construction of the new Island House, which enabled Trident to place orders and lock in prices for steel and other materials subject to price variations.³⁴⁰ The HPBC reported to the SIPOA Board of Directors and the Club’s Board of Governors on a regular basis. To everyone’s satisfaction and relief, the HPBC would routinely indicate that the Horizon Plan construction project was being completed “on time and under budget.”

Actual work at the Club site began in late February of 2008. Staff cleared the area in front of the Island House to provide space for temporary parking during the construction phase. The Club’s staff also demolished the old Kid’s Club building and removed and stored the playground equipment. While all of this preliminary work was going on, permit requests for site work were filed with applicable federal, state and county agencies and the township planning commission.³⁴¹



A pelican weathervane fabricated by Ray Carnovale, one of the Club’s Engineering Department craftsmen, was placed atop the new beach club’s cupola.

photo by Bob Hider

³⁴⁰ Building Committee minutes, April 4, 2008

³⁴¹ Ocean Tides, February 2008

With site work completed, and applicable permits obtained, the actual building process for the Club's portion of the Horizon Plan began in early July of 2008, when excavation and forming work began for the footings and foundation at the oceanfront site of the new Island House.³⁴² The Club held a grand opening of the Beach Club and Pelican's Nest on May 20, 2009. The new Seabrook Shoppe had its Grand Opening party on May 15th, and officially opened on May 16th. The formal opening of the Island House was held on September 26, 2009.

Seabrook Island's property owners owe a great deal of thanks to the members of the building committee whose unselfish contribution of time and effort brought the project in "on time and under budget." Special thanks should also be given to the two Trident site superintendents, Mike Lord at the Lake House and Larry Gerber at the Island House. Their dedication to the Horizon Plan projects and attention to detail were major factors in the quality and finish of both of the buildings, and completion of the projects.

photos by Curtis Krueger



Petition to Repeal Island One

 In the midst of a severe collapse of the United States economy and a corresponding decline in the national real estate market in general, and a decline in the real estate market at Seabrook Island in particular, a number of Seabrook Island residents believed that the mandatory Club membership requirements of Island One were exacerbating an already depressed real estate market at Seabrook Island. Accordingly, a group of individuals spearheading the opposition to the Island One

³⁴² Ocean Tides, August 2008

concept obtained sufficient signatures on a petition to require SIPOA to hold a referendum under the terms of its Bylaws on the question of whether Section 40 of the SIPOA's Protective Covenants should be repealed. Section 40 of the Protective Covenants codified the mandatory Club membership requirements of Island One.

Proponents of the repeal Island One initiative carried on a very aggressive campaign by mail and the internet. They believed that the decline in both real estate sales and real estate values on Seabrook Island could not be explained solely by the decline in the overall economy or the national real estate downturn, but rather the imposition of mandatory membership was the primary contributing factor.³⁴³ Their argument was that the concept of mandatory membership was a form of "tax" which reduced the number of buyers who would be otherwise interested in Seabrook Island property. They suggested that half of all potential buyers of Seabrook Island property may have simply walked away, and that this would have been especially true for lower cost villas where the cost of the so-called Island One tax is a much higher percentage of the price of property.³⁴⁴

The Repeal Island One proponents argued that the mandatory membership concept had in fact not helped the Club, but rather that the Island One concept failed in its primary purposes, viz., to increase the membership rolls and to stabilize the finances of the Club and allow it to improve its facilities without assessments while maintaining a low cost membership option. They suggested that the Club had seen sharp declines in its operating cash flow each year since 2005 irrespective of large reductions in non-Horizon Plan capital spending, and that membership continued to fall even though every new buyer on Seabrook Island was required to obtain a membership at some level. They believed that if the Club did not make changes to its business model or receive an infusion of cash from its core membership "another" bankruptcy was quite possible and increasingly likely given the upcoming demands of its Horizon Plan loan.³⁴⁵

Despite criticism from the Repeal Island One proponents, the SIPOA Board of Directors unanimously agreed that the petition to repeal Island One should be defeated. The SIPOA Board of Directors believed that it was not

³⁴³ Repeal Island One Website

³⁴⁴ Repeal Island One Website

³⁴⁵ Repeal Island One Website

the time to repeal Island One. Its position was based on the fact that Island One – and the Horizon Plan financing that was premised in part on the basis of Island One – were long-term strategic directions for Seabrook Island that were in the midst of being implemented with significant investment which was being incurred in reliance on Island One. The SIPOA Board noted that it was its responsibility “to preserve property values and the quality of life” on Seabrook Island. That obligation included the strategic direction and new construction under the Horizon Plan that had been supported by an affirmative vote of more than two-thirds of property owners and Club members in referenda that had followed months of extensive debate in open meetings attended by large numbers of property owners, including more than 1,000 new owners who acquired property under the terms of Island One after it had been approved and implemented. In the opinion of the SIPOA Board of Directors reversing direction in midstream could significantly and adversely affect each of the foregoing. Further, if, as repeal Island One petitioners had asserted, there was substantial evidence that the Club’s membership costs and fees had become too high and were having a negative effect on property sales it would clearly be in the Club’s best interest to make changes as are appropriate because Seabrook property sales were critical to the Club’s future financing.³⁴⁶

The petition to repeal Island One was to be submitted to a vote of

property owners in mid-November of 2008. Property owners would be required to vote on the issue after annual meeting materials, including the referendum materials and ballot, were distributed by mail. Realistically, information from proponents and opponents of the issue would begin to be made available to property owners in early December, and



photo by Bob Hider

³⁴⁶ Board Referendum Position Statement

as a result property owners would have only five to ten weeks to consider and digest the materials before the vote would be taken. The SIPOA Board of Directors believed that this would be an inadequate time period within which the property owners could adequately consider all of the arguments, facts and potential consequences of a possible repeal of Island One.³⁴⁷

The SIPOA Board of Directors had received a second petition to be put to a property owner vote. The second petition would put two questions to a vote of property owners: (i) first, whether SIPOA should raise the number of signatures that would be required to force a referendum on any issue, and (ii) secondly, whether a time limit should be imposed during which matters which had been put to a referendum and defeated, could not be put to another vote. Following discussions between the SIPOA Board of Directors and the proponents of the second petition, the petition was voluntarily withdrawn.

In the weeks immediately prior to the referendum on the question of whether or not Island One should be repealed, the issue was widely debated among the Island's residents. In response to the Repeal Island One petition a number of property owners circulated a counter-petition supporting the Island One concept. While this particular petition did not request the SIPOA Board of Directors to put any specific question to a vote of property owners, it did state that the counter-petitioners "(i) believe[d] that the repeal of Island One would cause irreparable harm to the Seabrook Island Community; (ii) fully support[ed] Island One as it [then stood], including its grandfathering provisions; and (iii) [were] unalterably opposed to the repeal of Island One." The counter-petitioners urged "elected representatives to initiate all possible Board-level actions to ensure the defeat of this frivolous referendum."³⁴⁸ Those in support of maintaining the Island One concept noted that without mandatory membership, less than half of new property owners would have joined the Club, and that revenue from joining fees and support of Club amenities would drop precipitously. They also expressed concern that the Club would not be able to meet its mortgage payments on its new facilities as the Horizon Plan financing was based on the projection of new memberships that Island One would produce. On their part, the proponents of the Repeal

³⁴⁷ Why the POA Voted Now on Island One Repeal Referendum

³⁴⁸ Counter Petition

Island One petition argued that there was no binding connection between Island One and Horizon Plan.

Those in favor of maintaining Island One believed that the underlying fundamental principle and intent of the Island One concept was that all properties and owners (with the exception of those who were “grandfathered”) should be responsible for supporting (and have access to) the amenity infrastructure of the Island, as well as its roads, drainage systems, security, beach re-nourishment, etc. They also believed that this concept was consistent with the SIPOA policy which required payment of a SIPOA capital fee on each purchased property and SIPOA annual operating and capital assessments on each owned property, including unimproved lots. Without Island One, there would be no Horizon Plan – no new Club amenities, and probably no new SIPOA amenities.³⁴⁹

At the meeting of the Club’s Board of Governors on December 15, 2008, Bill Mowat provided the Club’s membership with a summary of the arguments in favor of retaining Island One as positioned by Concerned Citizens of Seabrook Island. Mr. Mowat provided a comparison from the perspective of both the real estate market and the financial health of the Club of two four-year periods – one immediately prior to the effective date of Island One (2000 – 2003), the second the four year period immediately after the effective date of Island One (2005 – 2008) – 2004 was omitted as a transition year. Mr. Mowat reviewed the real estate market at Seabrook, and noted that in the post-Island One period, more homes were sold (137), the weighted average price of sold homes was higher (by \$283,000), the weighted average price of villas sold was higher (by \$150,000) and the total number of new club members was higher (734 vs. 327) than in the period prior to the passage of Island One. Mr. Mowat stated that from the perspective of the financial health of the Club in the four year period prior to the passage of Island One, the Club had lost a total of \$4,923,000. In the four year period following the passage of Island One the Club generated net income of \$344,000.³⁵⁰

³⁴⁹ A Brief History of Seabrook Island and the Seabrook Island Club by Concerned Citizens of Seabrook Island.

³⁵⁰ Mowat presentation to Board of Governors , December 15, 2008

In a document supporting Island One, distributed to property owners, the Concerned Citizens of Seabrook Island noted that during the post Island One period of 2005-2008, the Club generated a positive cash flow of \$3.9 million from operations and new member fees, and Seabrook Island Real Estate generated \$2.7 million cash. On a “net-net” basis, \$6.6 million was generated in the post Island One period versus a \$3.5 million negative cash flow in the earlier period. It was also noted that to suggest that there was no relationship between Island One and the Horizon Plan was simply incorrect. The Horizon Plan grew out of the fundamental principle of Island One and relied on it for its funding.³⁵¹ Mr. Mowat also pointed out at the December 15th meeting, that to suggest as the proponents of the Repeal Island One Petition had, that one-third of potential home or villa buyers avoided Seabrook Island because of the Island One membership requirement, ignored the many people who made an affirmative decision to buy property at Seabrook specifically because Island One guaranteed the stability of the Club and its amenities. It was also noted that Mr. Mowat had also spoken on behalf of the Concerned Citizens of Seabrook Island in support of Island One at a COVAR meeting and a SIPOA Board of Directors meeting. The Board of Governors adopted a resolution formally opposing the repeal of the SIPOA Protective Covenant relating to Island One at the December 15th meeting.³⁵²

The petition to repeal Island One was put to vote of property owners in a referendum held in connection with the 2009 Seabrook Island Property Association Meeting. The results of the referendum were overwhelming in favor of retaining Island One. Of the 1,855 votes cast, 1,393, or slightly over 75%, were voted in favor of retaining Island One.

In light of the economic and real estate downturn, in March of 2009 the Club’s Membership Committee



photo by Bob Hider

³⁵¹ Why we must preserve Island One, Bill Mowat

³⁵² Mowat presentation to Board of Governors, December 15, 2008

instigated a review of the joining fee for Community Memberships. While there was an argument that the level of the fee remained below market, a number of people thought that the existing fee level could be seen as an inhibitor to sales of property on Seabrook Island in the \$200,000 range. Following its review, the Membership Committee recommended that the Club's joining fee for Community Memberships for properties that were purchased [closed] after April 1, 2009, be set at the lower of (i) the base Community Membership joining fee established by the Board of Governors (at the time \$12,000) or (ii) five percent (5%) of the property's purchase price as determined by SIPOA for purposes of applying its capital fee. The five percent (5%) rule was not to apply to property sales or transfers that were exempt from the SIPOA capital fee. After considerable discussion, the recommendation was passed by the Board of Governors.³⁵³

³⁵³ Board of Governors minutes, March 23, 2009



Examination of the Issues Associated With Consolidation of the Club / SIPOA

As early as the spring of 2007, the Club and SIPOA undertook a study of the issues associated with a merger of the two organizations.³⁵⁴ The issue continued to be debated by the two organizations, with both examining the question of justification and rationale as to why a “merger” would be appropriate. While there were some potential economies of scale and property tax relief to be gained from such a merger, the most compelling reason related to Island unity and a more efficient governance.³⁵⁵

In the fall of 2008, the Club’s Board of Governors and SIPOA’s Board of Directors renewed their collective efforts to find synergies between the two organizations in an attempt both to save expenses and to determine if it made any sense for the two organizations to combine, consolidate or in some manner operate as a single community organization. While some cost savings had been previously realized by sharing certain activities, there had been no significant effort to merge or consolidate the two organizations up to that point. The 2008 annual property owner/member survey jointly sponsored by the Club and SIPOA proved to be the impetus for a renewed effort to examine the question of whether the two organizations should combine in some fashion, as it appeared that a significant number of respondents thought

³⁵⁴ Board of Governors minutes, March 26, 2007 The Club members who served on committee to examine the issue were Ken Kavanaugh, Jim Leib, David Mitchell and Drew Sayko.

³⁵⁵ Board of Governors minutes, April 23, 2007

it would be appropriate for both organizations to examine the question.

It was also at this point, in August 2008, that the Club's Board of Governors approved a three year agreement with Caleb Elledge for the position of General Manager of the Club. He had joined the Club the prior March as Operations Manager. Caleb graduated from Virginia Tech University, School of Hospitality and Tourism, is a Certified Club Manager with the Club Manager's Association and has already made a significant contribution to the Club.

A year earlier the SIPOA Board of Directors had made an affirmative determination that it would not renew efforts to seek merger with the Club. The expected length of this hiatus and the conditions under which it would end were left unspecified by the SIPOA Board. However, the question of consolidation with the Club was a recurring one. Many property owners promoted the concept of consolidation between the two organizations as a "good idea," and a not insignificant number were vigorously opposed the concept. In particular, those property owners who were "grandfathered" under the Island One revisions to the Protective Covenants were extremely vocal in their opposition to any proposal that could be seen as threatening their exempt status.

The SIPOA Board of Directors believed that many of the arguments both in favor and against the concept of consolidation with the Club were, in fact, based on speculation, rumor, misinformation or, more than likely, lack of information, as there had been no systematic, unbiased assessment based on a thorough, factual, and professional analysis of the legal, financial, tax, governance and operating issues that would have to be resolved in order to consider forming a single entity. Accordingly, in July of 2008, when the Club leadership proposed at their strategic planning retreat that a study team of qualified property owners be appointed to evaluate the feasibility of a SIPOA/ Club consolidation, a number of members of the SIPOA Board of Directors concurred in the idea at their strategic planning session a month later. For the next several months the idea of some form of a "merger" or "consolidation" of the two organizations and the merits for and against the proposal were vigorously debated among the Island's residents. The SIPOA Board of Directors met in special session on September 19th to consider the overture

made by the Club for the two organizations to form a joint committee to study the issue. Most of the Seabrook Island property owners, who attended the special board meeting, wanted the SIPOA to remain independent of the Club and were adamantly opposed to the idea of the formation of a joint study committee. Many of the property owners expressed concern that the formation of the committee would be the first step in the abrogation of their “grandfathered” rights.

In November of 2008, the SIPOA Board of Directors recommended that a property owners’ study team be appointed jointly by the SIPOA and Club presidents, with the concurrence of their respective Boards of Directors, to evaluate from a legal, tax, financial, political and cultural perspective the feasibility, or lack thereof, of further POA/Club consolidation. The purpose of the joint Club / SIPOA study team was not to make a recommendation on the issue – that was to be left to the leadership of the two organizations – but rather to provide a factual analysis of the pros and cons of any future consolidation (in the broadest sense of that term) and to provide factual information to guide future discussions. From the perspective of both the Club and the SIPOA, the fundamental principle of this effort was that the rights of those property owners who were “grandfathered” under the provisions of Section 40 of the SIPOA Protective Covenants were to be protected and preserved under all circumstances. The SIPOA and Club presidents were each to appoint a like number of representatives to the study team subject to vetting by respective boards. In fact, the SIPOA ended up appointing five members of the Task Force and the Club only four. The members of the joint Task Force were Brad Reynolds (Chair), Bob Fisk, Jerry Hartzog, Ben Schenck, Jim Logan, John Gregg, Carroll Gantz, Bob Grochowski, and Terry Ahearn.

The Joint Task Force delivered its report consisting of sixty pages plus an



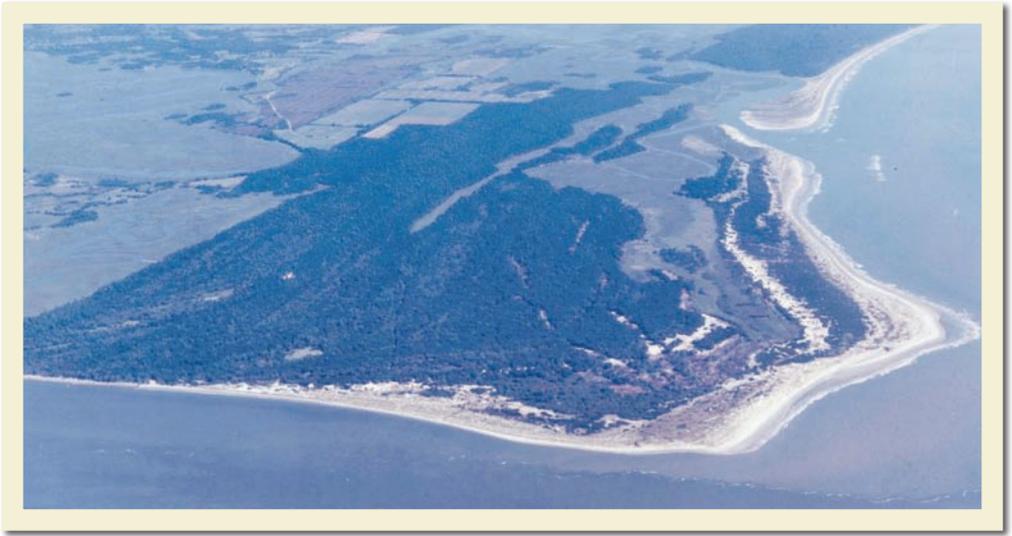
photo by Bob Hider

extensive appendix to the Club's and SIPOA's respective boards on June 14, 2010. The report was accompanied by an executive summary to facilitate its review. Two weeks later, the Club and SIPOA completed plans for their review and analysis of the report over the next several months, following which the SIPOA posted the Executive Summary and Report on its web-site. Both organizations have made their copies of the appendix which contains financial, tax and related information, available for review, but not copying.

The report contains descriptions of characteristics of the three relevant "governing" entities: the Town of Seabrook Island, the Club and SIPOA. In particular, information was presented concerning the entity types, principal responsibilities, management structure and rights of constituents of the three entities. Further, there was discussion regarding changes effected by the "Island One" referendum with particular attention to the "grandfathered" status of certain property owners as it relates to the mandated purchase of the Club memberships required by "Island One." Information was also included concerning the "Horizon Plan" undertakings of the Club and SIPOA and the financing of those undertakings by the two organizations. A summary of tax matters relating to the Club and SIPOA was also provided. The report addressed the existing organizational structure and reflects findings concerning re-structuring alternatives including: consolidation of the Club and SIPOA (SIPOA as surviving entity); sale-leaseback of certain Club assets (SIPOA as lessor; the Club as lessee); joint venture (creation of third entity responsible for carrying out certain operations of SIPOA and the Club); elimination of SIPOA and transfer of SIPOA assets to the Town; consolidation of the Boards of the Club and SIPOA (creation of a "unified" board serving both organizations without elimination of either) and, sale of the Club or the Club's assets to an "outside" entity (purchaser other than SIPOA). Analysis was provided in respect of asset valuation, financing, tax consequences, and "political" considerations for the re-structuring approaches reported. In addition to the re-structuring alternatives considered, the report presented alternative methodologies for "assessment" of property owners to provide funding for operational and other costs of the various amenities on Seabrook Island.

Aerial photo of Seabrook Island, October 11, 1971

photo provided by Bob Hider



Aerial photo of Seabrook Island, April 21, 2010

photo provided by Dick Clarke



the History

The report did not present any “roadmap” to achieve any restructuring or other change. Rather, the report provided both quantitative and qualitative analyses that pertain to issues of financing and tax matters, “grandfathered” property owners under Island One, and the Club “refundable” equity and “refundable” assessments. Extensive consideration was given to “hard inviolate assumptions” relating to consolidation of the Club and SIPOA set forth in the Group’s “charging” document prepared by the SIPOA and Club boards.

The report acknowledges that the Joint Task Force’s assignment is but a first step in the process of evaluating possible improvements in governance of the Seabrook Island community. The report did not present an endorsement of any particular course of action or express a preference for any particular direction that the Boards might take. Rather, the report highlighted both the pros and the cons of the various alternatives explored by the Joint Task Force, purposefully leaving to the two boards the essential task of deciding whether or not to continue the process.

The SIPOA Board of Directors appointed a review team consisting of three directors to undertake a comprehensive review of the Joint Study Group report. In mid August of 2010 the review team reported to the SIPOA board that in its view none of the alternatives presented in the report were “actionable” at this time.³⁵⁶ The review team analyzed the six governance alternatives and four assessment alternatives identified in the report and concluded that as SIPOA and the Club had already taken steps to cooperate on cost savings in a number of areas, potential financial benefits from consolidation would be limited.

A primary objective of the Club and SIPOA was to define a common vision and goal based on the results of their joint annual survey.³⁵⁷ As a result of this effort, the SIPOA’s Board of Directors and the Club’s Board of Governors adopted a common “vision” statement and adopted a mutual set of eight core values.³⁵⁸ The joint “vision” statement reads as follows:

³⁵⁶ Review Team Report to the SIPOA Board, August 10, 2010

³⁵⁷ Board of Governors minutes, August 18, 2008

³⁵⁸ Board of Governors minutes, August 18, 2008

“Seabrook Island is a private residential community with lifestyle amenities for all ages where homeowners control their own destiny and, with their guests share a unique sense of belonging in a natural, forested, ocean-front environment. Recreation and leisure facilities are provided for the use and enjoyment of the Seabrook Island community.”

At the same time, the Club and SIPOA continued their efforts to coordinate their operations on a number of levels where it was either practical or economical to do so. For example, the Club’s maintenance crew completed renovations of the SIPOA’s “gate house” on a cost basis. As noted above, the Club agreed to provide food and beverage service for the SIPOA’s Lake Site facility, on a basis which would be income or loss neutral to SIPOA (viz., the Club would retain any profit or absorb any loss generated by the activity). In addition the two organizations combined purchasing activities and maintenance contracts where it was appropriate to do so.

Early in 2009, the Board of Governors made the benefits of a Full membership available to non-Club members on a limited trial basis. These memberships were available for a non-refundable application fee of \$4,000 (applicable towards the purchase of a Full membership) and the payment of monthly dues. Both property owners and non-property owners could purchase a one-year trial membership.³⁵⁹

³⁵⁹ Ocean Tides, December 2008



Seabrook Island Real Estate

Since its incorporation, Seabrook Island Real Estate (“SIRE”) has existed as a wholly-owned subsidiary of the Club. Members of SIRE’s Board of Directors have included past and present members of the Club’s Board of Governors as well as a number of the Club’s members at large. SIRE has, until very recently, been a significant contributor to the financial well being of the Club. Since the formation of the Club, SIRE has sold approximately 4,200 units (homes, villas and lots) on the Island, including, 1,214 homes, 1,781 villas and 2,845 lots. SIRE also operates Kiawah Bohicket Real Estate (“KBRE”). Joe Salvo was named Real Estate Broker in Charge in May of 2004. Following his appointment, Seabrook Island Real Estate achieved record sales in 2004, 2005 and 2006. In August of 2005 Salvo replaced John Wilderman as Managing Director of the Club. He served in that position until the appointment of Caleb Ellege in 2008.



The Equestrian Center

For the most part, the Equestrian Center has been an attractive, yet unobtrusive, feature of the Club. Has there been a visitor to the Island that has resisted the temptation to feed the horses? Rarely found at East Coast resort communities, the equestrian center is a full service facility which provides a complete equestrian program including instruction as well as trail and beach rides. The Seabrook Equestrian Center is one of the few equestrian centers in a gated community on the east coast.³⁶⁰

The Seabrook Equestrian Center is one of the nicest facilities of its type in the greater Charleston area. There are 2 main barns totaling 30 large box stalls (12' by 10') and ample turnout and pasture space. Each stall has a water shut-off valve and an automatic insect spray system. Most stalls have outside Dutch doors, providing "windows" for the horses. The equestrian center amenities include heated/AC tack room, and an outside rack and trailer parking. The equestrian center makes private and group lessons available at all levels from beginners to advanced jumping. For several years, it has attracted regional and national attention as host of the Charleston Summer Classic, a highly rated Hunter Jumper show.³⁶¹ Seabrook also hosted the Charleston Summer Classic "AAA" rated show in July of 1992 and for a period of seven years thereafter.

The Club signed a lease with the trustees for the Sherman family for forty-two acres of property for use as the Equestrian Center in December of 1993. The lease had a twenty year term, and a twenty year renewal option. Rental for the parcel was to be paid by the Club granting the lessor or its designee two Full memberships in the Club or the substantial equivalent of

³⁶⁰ Ocean Tides, November 2008

³⁶¹ Kiawah-Seabrook Connection, January 1, 1997

two Full memberships.³⁶² Six acres (adjacent to the Village at Seabrook) of the total Equestrian Center pasture used by the Club were actually owned by John (Hank) Hofford who had entered into an agreement with the Club, allowing the Club the right to use that land. When property taxes on the six acres increased to a point where the cost became burdensome, Mr. Hofford proposed that the Club and the Town of Seabrook permit him to create five or six home sites on about 1.5 acres of that parcel. In return, the remaining acreage was donated to the Seabrook Island Greenspace Conservancy with the proviso that the Club could continue to use that portion of the property as pasture, so long as the Equestrian Center was in existence. Greenspace in turn donated the property (subject to the conservancy and the Club's use) to SIPOA.³⁶³

In the spring of 2008, the horses at the center had to be quarantined as a result of an outbreak of the equine virus, Strangles. The Center remained on quarantine for several months. In the interim, residents and visitors had the unusual experience of driving past the center without the usual site of horses grazing in the pasture.



Matthew Sherriff, Equestrian Center Manager, Charles Hairfield and Kelly Seger enjoying a beach ride.
photo taken by Adina Preston.

³⁶² Lease Agreement dated December 15, 1995 by and between Harold I Sherman as trustee for various members of the Sherman family, the Yaschick Development Company, Inc. and Thomas Ervin as lessor and the Club at Seabrook Island Club as lessor

³⁶³ Board of Governors minutes, August 13, 2007



Tennis on Seabrook Island

The Racquet Club facility consisting of 15 professionally maintained clay tennis courts for day play and a full-service Pro Shop, has been a staple of the Island since its opening in the early 1970's.

In November of 1976, Seabrook hosted its first major tennis event, the Almenden Grand Masters Tennis Tour. Participants in the event included a number of the then major names in tennis such as Pancho Gonzalez, Pancho Sagura, Torben Ulrich, Vic Seixas, and Rex Hartwig.³⁶⁴ The tournament, which annually toured about a dozen cities, proved to be a success at Seabrook, which was a stop on the tour for several years thereafter.



Peter Fleming



John McEnroe

Tennis professional Alan Fleming and his family moved to Seabrook Island in the 1970's. Alan Fleming was a nationally ranked tennis player whose resume included matches played at Forest Hills, the precursor to the US Open. Alan Fleming's son Peter was a guest at Seabrook in August of 1977. Like his father, Peter Fleming was also a highly successful professional

³⁶⁴ News & Courier, November 8, 1976

tennis player, and during the 1980's had teamed up with John McEnroe to dominate the men's doubles game. Fleming and McEnroe won 50 doubles titles, including four at Wimbledon (1979, 1981, 1983 and 1984), and three at the US Open (1979, 1981 and 1983). Peter Fleming subsequently became the touring professional for Seabrook in the early 1980's. One of the tennis highlights in the Island's tennis history occurred when Peter Fleming brought McEnroe to Seabrook for a series of exhibition matches between the two men.

Among Alan Fleming's many accomplishments was the establishment of a major senior tennis tournament on Seabrook Island in 1981. The tournament, originally called the Seabrook Island Senior Tennis Tournament, was held at Seabrook continuously until Hurricane Hugo forced a two year hiatus in 1989. After Alan Fleming's death in 1997, the senior tournament was renamed in his honor. The first Alan Fleming Senior Clay Court Classic was held on October 8-11, 1998. The tournament drew over one hundred and eighty (180) players from five states, including a number of top-ten nationally ranked players.³⁶⁵

Participation in the Alan Fleming tournament has grown since its inception, to over 250 players from all over the Southeast and beyond. In 2001, the tournament added a fundraising component for Hospice of Charleston including the Hospice House, a 20+ bed facility opened in 2006. In recognition of the nearly \$150,000 of tournament proceeds donated over the years, one of the rooms in the Hospice facility is named in honor of the Seabrook Island tennis community.

The Seabrook Island Members Tennis Association was formed in 1986 for the purpose of supporting tennis and social activity on Seabrook Island. The Association's first officers included Bob Henderson, Stan Wright, Ginger Klapp and Carolyn Byrd.

The Club held its first member tennis championship on April 9th, 10th and 11th of 1992.³⁶⁶ Another significant tennis event scheduled around the same time was the annual mixed doubles event.

In June of 2006, the Racquet Club was ranked as a Top 25 Worldwide Tennis Resort by tennisresortonline.com, a tennis website run by Roger Cox

³⁶⁵ Ocean Views, November 1998

³⁶⁶ Ocean Views, May 1992

who spent 17 years as an editor to Tennis Magazine. This ranking put the Club's facilities and programs among the world's best (greatly improving on the Club's 2003 Top 75 Worldwide ranking). In June of 2007, the Racquet Club repeated its ranking as a Top 25 Worldwide Tennis Resort by tennisresortonline.com. In 2008 and 2009, the Racquet Club was awarded a Top 50 Worldwide ranking

In 2007 the Alan Fleming Senior Clay Court Classic Tournament was designated as a Level 1 State Championship event and became only one of a handful of tennis tournaments in the south east to be awarded the "200 point level" in the Southern section. This put the Racquet Club in a very elite class of tennis facilities that hosts tournaments in the 200 point category, as there were only three other events in the nine-state Southern section with that designation. Previous awards received by the Racquet Club included the 1996 South Carolina Tournament of the Year, 1996 Southern Adult Tournament of the year and 2005 South Carolina Adult Tournament of the Year.³⁶⁷ In November of 2007, the Racquet Club introduced a new event for the fall tennis calendar – the Seabrook Island Tennis Club Championships. The Club championship is a NTRP tournament open to all members.³⁶⁸ At the same time, the Racquet Club undertook sponsorship of the USTA Community and Schools Program, an after-school tennis program for third and fourth graders participating from Murry-La Saine and Mount Zion schools.³⁶⁹

In October of 2008, the 25th Anniversary of the Alan Fleming Tournament took place at the Racquet Club. The tournament drew a record high number of players, 256 – including a record 62 Club members - and approximately 300 matches were completed over a four day period.³⁷⁰



photo by Adina Preston

³⁶⁷ Ocean Tides, August 2008

³⁶⁸ Ocean Tides, October 2008

³⁶⁹ Board of Governors minutes, March 26, 2007

³⁷⁰ Ocean Tides, November 2008



The Future

In the relatively short period of its existence, the Club has been presented with and has overcome a number of major problems, has made significant progress in a number of areas and has made notable improvements to its facilities. It will, undeniably, face an equal if not greater number of problems and challenges in the future. However, in developing this history, the one dynamic that has been clear and consistent, has been the pervasive involvement, effort and dedication of the Club's membership. Those qualities have been, and will continue to be, the source of the Club's strength.

The current members of the Club undeniably owe a great deal of recognition and gratitude to many individuals. Firstly, to those members of the SIPOA Board of Directors who served in the late 80's and who had the foresight to take the initial steps to purchase recreational facilities from SIOC and, when that effort failed, to provide the impetus and funding for the formation of Seabrook Island Associates which was to serve as the vehicle for the property owners to pursue the purchase of the Club's amenities from Bank South. An equal debt of gratitude is owed to those property owners who served as the officers and directors of Seabrook Island Associates, and who persevered in their collective effort to develop and sell the membership plan to raise the necessary funding and to negotiate and conclude a deal with Bank South for the purchase of the amenity assets. These individuals were the "founding fathers" of the Club. Equal recognition needs to be given to the Charter Members of the Club without whose financial commitment the Club would not have gotten off the ground. Likewise, not enough can be said

about the perseverance, dedication and hard work of the property owners and Club members who were involved in the development and adoption of Island One and the implementation of the Horizon Plan. Finally, recognition should be given to those Club members who, over the years, have volunteered their time and effort to serve on the Board of Governors. The countless hours each has unselfishly devoted in service to the Club is reflected in the Club's successes.

The contributions and efforts which resulted in the creation of the Club and contributed to its history were made by individuals who selflessly volunteered their time and effort, often at the cost of personal sacrifice. While the problems the Club will face in the future will be equally as complex and as difficult as those faced in the past, we have every reason to believe that effort and contribution of its membership to meet those problems will rise to the same level which has been demonstrated in the past.



photo by Adina Preston

Men's Club Championship

| | | | |
|------|--------------|------|--------------|
| 1991 | Bob McCloud | 2001 | Charlie Heye |
| 1992 | Bob McCloud | 2002 | Bill Howard |
| 1993 | Fred Babb | 2003 | Charlie Heye |
| 1994 | Bob McCloud | 2004 | Ed Willams |
| 1995 | Charlie Gray | 2005 | Charlie Heye |
| 1996 | Charlie Gray | 2006 | Henry Hobson |
| 1997 | Charlie Heye | 2007 | Charlie Heye |
| 1998 | Fred Babb | 2008 | Charlie Heye |
| 1999 | Fred Babb | 2009 | Charlie Heye |
| 2000 | Charlie Heye | 2010 | Bob Fisk |

Ladies Club Championship

| | | | |
|------|-----------------|------|-----------------|
| 1991 | Jean Ballentine | 2001 | Tori Langen |
| 1992 | Jane Cheshire | 2002 | Tori Langen |
| 1993 | Jean Ballentine | 2003 | Tori Langen |
| 1994 | Pat Pagola | 2004 | Tori Langen |
| 1995 | Ann Kerry | 2005 | Tori Langen |
| 1996 | Tori Langen | 2006 | Tori Langen |
| 1997 | Tori Langen | 2007 | Tori Langen |
| 1998 | Tori Langen | 2008 | Tori Langen |
| 1999 | Tori Langen | 2009 | Cathy Patterson |
| 2000 | Tori Langen | 2010 | Cathy Patterson |

Annual Seabrook Island Club Tennis Championship

Men's "A" Doubles Winners

| | |
|------|-----------------------------|
| 1992 | Alan Fleming/Stanley Wright |
| 1993 | Al Reavill/Ralph Renken |
| 1994 | Karl Bergman/Harris Cohen |
| 1995 | Karl Bergman/Harris Cohen |
| 1996 | Karl Bergman/Harris Cohen |
| 1997 | Karl Bergman/Harris Cohen |
| 1998 | Karl Bergman/Harris Cohen |

After various formats a true Club Championship was re-instated in 2008

2008 Tennis Club Championship

Singles

Men's 3.0 - Smith Coleman (no score)

Men's 3.5 - Armand Glassman (6-4, 6-4)

Women's 3.0 - Jo Merrill (6-2, 6-1)

Doubles

Women's 3.0 - Deena Ralph/Kathy Baron (6-1, 6-2)

Women's 3.5 - Margo Heyd/Hutchie Cummin (3-6, 6-3 (10-5))

Women's 2.5 - Patti DeGregorio/Lynne Keener

Men's 3.0 - Jim Gearhardt/Al Madison (6-1, 1-6 (10-6))

Men's 3.5 - Allen Thompson/Warren Kimball (6-2, 6-4)

Mixed Doubles

6.5 - Phil Kelley/Bert Glassman (6-4, 7-5)

7.5 - Bob Zuccaro/Mary Jane Zuccaro (7-5, 6-2)

2009 Championship canceled and rescheduled for 2010

2010 Tennis Club Championship

Singles

Women's 3.0 - Jean Dunn
Women's 4.0 - Maureen O'Berg
Men's 3.0 - Smith Coleman
Men's 3.0 Consolation - Dan Carretta
Men's 3.5 - Armand Glassman
Men's 4.0 - Jimmy Rinehart
Open Men's Singles - Harvey Hines

Doubles

Women's 3.0 - Sue Eckenrode/Diana Cohen
Women's 3.0 Consolation - Deena Ralph/Kathy Baron
Women's 3.5 - Barbara Condon/Brooke Jellison
Women's 4.0 - Margo Heyd/Hutchie Cummin
Men's 3.0 - Jerry Cohen/Greg Gilleard
Men's 3.5 - Armand Glassman/Jerry Hanchrow
Men's 3.5 Consolation - Chuck Bensonhaver/Jack Baynum
Men's 4.0 - Jim Burkart/Scott Westerberg
Men's 4.0 Consolation - Ed Dear/Bob Adamson

Mixed Doubles

6.0 - Mike Clouse/Deena Ralph
6.0 Consolation - Jimmy Newton/Sally Newton
7.0 - Chuck Bensonhaver/Barbara Condon
7.0 Consolation - Phil Kelly/Paula Adamson
8.0 - Harry Polychron/Maureen O'Berg
8.0 Consolation - Warren Kimball/Margo Heyd

Seabrook Island Club Board of Governors Organizational Meeting April 29, 1991

President, Richard M. Eckhert
Vice President, David Lambert
Secretary, Helen Maxwell
Treasurer, Calvin H. East
Harold T. Bright
Patricia A. Brooke
Peggie A. Theoharous

Robert A. Ferguson
Charles C. Pingry
Robert J. Saunders
James L. Talmage
William C. Whitner
John D. Hostutler
Stephen G. Haynes

June 7, 1991 Appointment

President, Bill Dalton
Vice President, Cal East*
Treasurer, Alan Fleming
Secretary, Helen Maxwell
Ernie Prupis
Fred Babb
Pat Brooke*
Jack Hostutler

Homer Klock
Chuck Pingry*
Bob Saunders*
Champ Sheridan
Jim Talmage*
Peg Theoharous*
Bill Whitner*

(* designates SIA board member)

Seabrook Island Club Board of Governors – 1992

William Dalton, President
Homer Klock, Vice President
Carol Carpenter, Secretary
Jim Fraser, Treasurer
Chuck Pingry
Jack Hostutler
Fred Babb
Peggie Theoharous
Ernie Prupis

Donald Millhouse
Champ Sheridan
Bob Saunders
Bill Whitner
Pat Brooke
William Plunkett
Jim Talmage
Topsy Barone
Calvin East

Seabrook Island Club Board of Governors – 1993

Homer Klock, President
Don Millhouse, Vice President
Ernie Prupis, Secretary
John Caldwell, Treasurer
Jack Hostutler
William Plunkett
Jim Fraser

Fred Babb
Carole Gray
Ralph Kauffman
Champ Sheridan
Henry Linz
Carol Carpenter
Don Millhouse

Seabrook Island Club Board of Governors – 1994

Don Millhouse, President
Carol Carpenter, Vice President
Hank Linz, Secretary
John Caldwell, Treasurer
William Plunkett
Jack Hostutler
Ralph Kauffman

Carole Gray
Frank McCann
Bob Francis
Champ Sheridan
Jim Fraser
Ike Smith
Carol Carpenter

Seabrook Island Club Board of Governors – 1995

Don Millhouse, President
Ike Smith, Vice President
Claire Allen, Secretary
Lee Vancini, Treasurer
Ralph Kauffman
Eloise Pingry

Frank McCann
Dan Simon
Jack Clarkson
Carole Gray
Bob Francis

Seabrook Island Club Board of Governors – 1996

Ike Smith, President

Claire Allen, Vice President

Dan Simon, Secretary

Karl Bergman, Treasurer

Topsy Barone

Stu Miller

Bert Hylander

Eloise Pingry

Frank McCann

Ron Baker

Tom Kent

Seabrook Island Club Board of Governors – 1997

Claire Allen, President

Karl Bergman, Vice President

Eloise Pingry, Secretary

Stu Miller, Treasurer

Dan Simon, At Large

Bert Hylander

Frank McCann

Joe Crispyn

Ron Baker

Barbara Marin

Beatrice Linz

Seabrook Island Club Board of Governors – 1998

Joe Crispyn, President

Bert Hylander, Vice President

Beatrice Linz, Secretary

Stu Miller, Treasurer

Karl Bergman, At Large

Jack Beerman

Lew Theoharous

Frank McCann

Hal Bright

Charles Mangee

Ron Baker

Seabrook Island Club Board of Governors – 1999

Joe Crispyn, President

Charles Mangee, Vice President

Beatrice Linz, Secretary

Stu Miller, Treasurer

Barbara Martin, At Large

Ed Kronenberg

Chris Whitacre

Frank McCann

David Mitchell

Nancy Rimmey

Richard Lalley

Lew Theoharous

Seabrook Island Club Board of Governors – 2000

Charles Mangee, President
Lew Theoharous, Vice President
Stu Miller, Treasurer
David Mitchell, Secretary
Nancy Remmey, At Large
Haydee Bundschuh

Darwin Olofson
Chris Whitacre
Frank McCann
Dick Lalley
Tom Herbick

Seabrook Island Club Board of Governors – 2001

Dave Mitchell, President
Marlin Stover, Vice President
Ed Stormer, Treasurer
Sue Holloman, Secretary
Champ Sheridan, At Large
Don Dawe

Tom Herbick
Chris Whitacre
Frank McCann
Dick Lalley
Haydee Bundschuh
Stu Miller

Seabrook Island Club Board of Governors – 2002

Marlin Stover, President

Ed Stormer, Vice President / Treasurer

Sue Holloman, Secretary

Champ Sheridan

Norm Smith

Haydee Bundschuh

Don Borchert

Deb Clouse

Tom Herbick

Wayne Hockersmith

Bill Holtz

Frank McCann

Seabrook Island Club Board of Governors – 2003

Ed Stormer, President

Bill Mowat, VP / Treasurer

Sue Holloman, Secretary

Norman Smith

Deb Clouse

Don Borchert

Jay Hague

Wayne Hockersmith

Joe Gerardi

Bill Holtz

Marlin Stover

Seabrook Island Club
Board of Governors – 2004

Bill Mowat, President
Tom Prevost, Vice President
Jay Hague, Secretary
Bob Fulmer, Treasurer
Joe Gerardi

Don Borchert
Bill Holtz
Ed Puckhaber
Steve Ward
Frank McCann

Seabrook Island Club
Board of Governors – 2005

Tom Prevost, President
Ed Puckhaber, Vice President
Judy Bailey, Secretary
Joe Gerardi, Treasurer
Steve Ward
Jerry Brown
Bill Mowat
Jay Hague

Bill Crater
John Hilker
Marie Hummel
Denise Kotva
Jim Leib
Barbara Willis
Frank McCann

Seabrook Island Club Board of Governors – 2006

Tom Prevost, President
Jim Leib, Vice President
Joe Gerardi, Treasurer
Judy Bailey, Secretary
John Hilker
Denise Kotva
Bill Crater
Jerry Brown

Marie Hummel
Barbara Willis
Jim Leib
Frank McCann
John Feldman
Ed Puckhaber
Ed Williams

Seabrook Island Club Board of Governors – 2007

Jim Leib, President
Ed Williams, Vice President
John Feldman, Treasurer
Jerry Brown, Secretary
Marie Hummel
Chuck Fox
Joe Gallagher

Ken Kavanaugh
Tori Langen
Taunya White
Barbara Willis
Gary Kotva
Frank McCann

Seabrook Island Club Board of Governors – 2008

Ed Williams, President
Chuck Fox, Vice President
John Feldman, Treasurer
Richard Marion, Secretary
Fred Kreusch
Barbara Willis
Tori Langen

Gary Kotva
Frank McCann
Ken Kavanaugh
Taunya White
Barbara Condon
Joe Gallagher

Seabrook Island Club Board of Governors – 2009

Chuck Fox, President
Richard Marion, Vice President
Fred Kreusch, Treasurer
Ken Ingram, Secretary
Barbara Condon
Tori Langen
Don Romano

Frank McCann
Ken Kavanaugh
Bill Crater
Coby Van de Graaf
Barbara Willis
Joe Gallagher
Ed Williams

Seabrook Island Club Board of Governors – 2010

Bill Crater, President

Coby Van de Graaf, Vice President

Ken Ingram, Secretary

Fred Kreusch, Treasurer

Barbara Condon

Ken Kavanaugh

Richard Marion

Frank McCann

Barbara Willis

Don Romano

Frank Farfone

Hank Greer

Jim Leib

Chuck Fox



