

## Bylaw Amendment: Require Owners/Members to Vote and Approve Spending over \$500,000

### **Purpose:**

The role of the Palmetto Dunes Property Owners' Association is to represent the interest of all Members. However, there is no limit to what the Board can spend. The goal of this Bylaw is to prevent uncontrolled or inappropriate spending in the future without input and authorization of owners. After all, it's the owners' money.

As an example, in June of 2018, the PDPOA Board of Directors unilaterally decided to spend \$2,050,000 to purchase 7 Lee Shore without any notice, discussion with or feedback from the Membership. To date, 7 Lee Shore remains fallow despite paying nearly four years of annual carrying costs (property taxes of \$21,000+ per year, additional insurance, etc.) and capital improvements (\$110,000+ for a new bulkhead).

As a second example, the Administration commenced with permits, planning and material procurement to replace the Sea Lane bridge without Board approval of this \$1.4MM expenditure - abandoning the well-defined capital expenditure process which requires full Board approval. Additionally, since 2019 the Administration has to this day refused to have an engineering evaluation of alternative bridge construction methods adopted by Department of Transportations (DOT) that could save owners nearly \$500K per bridge and slash construction times half or more.

With the above citations, the purpose of this Bylaw amendment is to establish and adopt limitations of expenditures the Board may exercise without prior notification, discussion and approval by the Membership.

### **Current Bylaw:**

None.

**Proposed Bylaw Amendment:** New section 12 within Article III, Board of Directors, as follows:

#### 12. Spending Authorization

The PDPOA Board of Directors shall be required to notify and obtain authorization from the Membership for any purchase or financial commitment for: i) land or ii) any initiative exceeding a total of \$500,000 - including but not limited to amenity, infrastructure, equipment, lease or otherwise. The authorization shall be in the form of an electronic ballot conducted by an approved, auditable third-party issued to the entire Membership, with at least a two-thirds (66.7%) of those responding authorizing the expenditure - with a minimum quorum of 25%. The voting shall not be anonymous and the voting period shall not be less than 14 calendar days. The results of the ballot shall be certified by the POA's legal counsel, shared with the Membership, and the underlying results made available for inspection by the Membership.

To prevent phased-spending, a three-year lookback test will be conducted by the Financial Auditor of record to determine if the total spending for an initiative exceeds the \$500,000 limit. Should the limit be exceeded, a vote among the entire Membership shall be held and approved as outlined in the above paragraph before any additional spending or commitment on said initiative is made.

For the purposes of clarity, the phrase "purchase or financial commitment" includes but is not limited to any new property, infrastructure, amenity or service provided to the Membership.

# #2

## Bylaw Amendment: Require Owners/Members to Vote and Approve Changes to Residential, Commercial and other Covenants

### **Purpose:**

Owners decide to purchase residential property in Palmetto Dunes given the natural beauty and all aspects of the community, including the role and activity of surrounding commercial properties. Consequently, Members have a strong interest in all changes that impact the community, and to the extent the Palmetto Dunes Property Owners' Association has any role or rights in approving residential, commercial or other changes, Members should have a say in which changes are permitted.

For example, if in 2043 when the land lease for the Disney Beach Club lease expires, Members, to the extent permitted by the relevant covenants, should have a voice regarding the desirability and acceptability of any proposed changes or land uses. What if the plan is to convert the property into an oceanfront water park? Like our current residential covenants, such decisions should be voted on by Members and not be left to the PDPOA Board of Directors or Administration.

Certain rights regarding residential properties, roads, and commercial properties were assigned by Greenwood Development Corporation to the Palmetto Dunes Property Owners' Association (PDPOA) within the 2005 Settlement Agreement, or involving the PDPOA directly.

With the above citations, the purpose of this Bylaw amendment is to require a Member vote to determine if proposed changes to any covenants, just like the Single Family and Multi-Family residential covenants, to which the PDPOA is a party are acceptable to the Membership.

### **Current Bylaw:** Article I, Section 2

2. To exercise legal and managerial responsibility for Palmetto Dunes pursuant to the Consolidated Limited Residential Covenants of February 1, 1982 recorded in the office of the Clerk of Court for Beaufort County, South Carolina, in Deed Book 341, page 657, and the Consolidated Multi-Family Residential Covenants dated January 1, 1981, and recorded in such office in Deed Book 314 at Page 505, as the same have been or may be amended or restated, both of which Covenants have been assigned to the Association.

### **Proposed Bylaw Amendment:** Article I, Section 2

2. To exercise legal and managerial responsibility for Palmetto Dunes pursuant to the Consolidated Limited Residential Covenants of February 1, 1982 recorded in the office of the Clerk of Court for Beaufort County, South Carolina, in Deed Book 341, page 657, and the Consolidated Multi-Family Residential Covenants dated January 1, 1981, and recorded in such office in Deed Book 314 at Page 505, as the same have been or may be amended or restated, both of which Covenants have been assigned to the Association.

The Legal and managerial responsibility shall also include any and all covenants for which the Palmetto Dunes Property Owners' Association has any rights or is currently a party to including but not limited to: Alexanders Covenants recorded in such office in Deed Book 270 at starting at Page 962; Disney Covenants recorded in such office in Deed Book 682 starting at Page 353; Dunes House Covenants recorded in such office in Deed Book 2772 starting at Page 2010; Marriott Covenants recorded in such office in Deed Book 410 starting at Page 808; Omni/Mariners Inn Associates Covenants recorded in such office in Deed Book 358 starting at Page 1669 as the same have been or may be amended or restated, of which Covenants have been assigned to the Association.

## Bylaw Amendment: Limit the Role of the Executive Committee to Emergency Situations

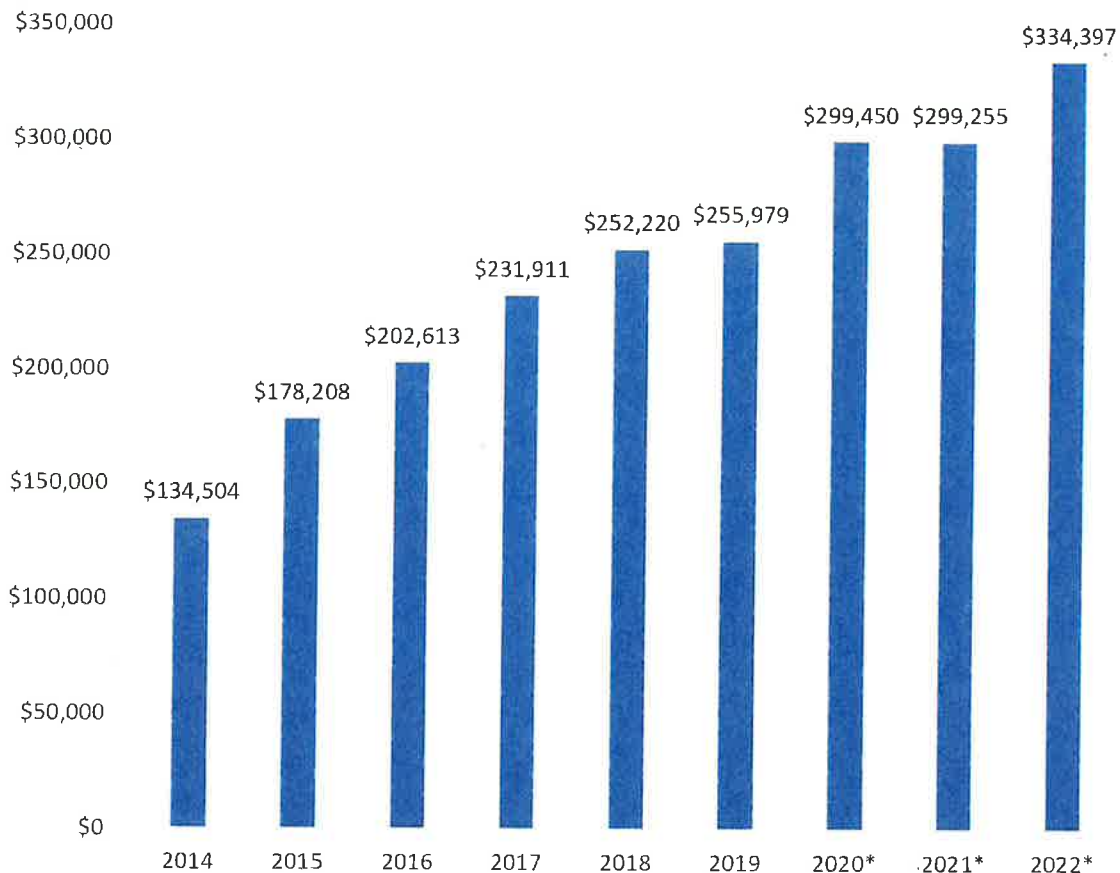
### Purpose:

A key objective of the Palmetto Dunes Property Owners' Association Board of Directors is to harness the diverse experience and viewpoints of all 10 Board members to make decisions that are in the best interest of the entire community - including everything from strategy to planning to management of the Administration.

Undermining this objective, the Executive Committee has historically conferred and directed the CEO without notifying the Board of their discussions or directives. Examples include directing the signing of the Dunes House Memorandum of Understanding without Board approval and the altering of the CEO's compensation without Board approval.

Further supporting the need for governance changes, to this very day only the Executive Committee (even with the May 19, 2022 revision to the Executive Committee charter) approves the CEO's annual objectives, performance review, and compensation adjustments despite the Bylaws stating: "The Board shall employ a salaried staff executive who shall have the title of Chief Executive Officer (CEO) on such terms and conditions as the Board shall determine."

### Total Annual CEO Compensation



For years 2014-2019, the total compensation is based upon the community's filings with the IRS. For years 2020-2022, the total compensation is based upon a 3% salary and bonus increase plus the actual deferred compensation bonus as revealed in the community's audited financial statements.

Like other communities on Hilton Head Island with an Executive Committee, Palmetto Dunes needs to limit the role of the Executive Committee ensuring the full Board participates in all decisions that impact the community.

With the above citations, the purpose of the proposed bylaw amendment below is to limit the role of the Executive Committee to emergencies when a quorum of the Board cannot be convened in a timely fashion - providing broader and more informed decision-making by the full Board while increasing transparency and governance.

**Current Bylaw: Article V, 1, a: Executive Committee**

Shall be composed of the Chairperson, Vice Chairperson and one (1) Director appointed by the Chairperson, with the concurrence of the Board. It shall deal with such matters that arise between the Board meetings as the Chairperson deems necessary, and shall be the liaison between the Board and the Chief Executive Officer.

**Proposed Bylaw Amendment: Article V, 1, a: Executive Committee**

Shall be composed of the Chairperson, Vice Chairperson and one (1) Director appointed by the Chairperson, with the concurrence of the Board. It shall only convene or function during emergencies when a quorum, by in-person and/or electronic means, of the full Board cannot be obtained in a timely manner -- followed by a Board meeting within 48 hours to discuss the reasons for, and results of, the Executive Committee meeting. All non-emergency issues will always be addressed by a quorum of the full Board.

#4

**Bylaw Amendment: Remove Greenwood's Residential Votes Based Upon their Annual Commercial Assessment**

**Purpose:**

The Palmetto Dunes Property Owners' Association represents the interest of 2,172 residential property owners (1,259 villas and 931 single family homes/lots) in Palmetto Dunes (excluding Leamington and Shelter Cove). Each Palmetto Dunes property owner pays an annual *residential assessment* (currently \$1,800) and has specific rights and obligations as defined within the Bylaws and the respective covenants and PPGs.

Palmetto Dunes also has four commercial partners, including the Marriott, Omni, Disney and Greenwood. Each of these entities pays an annual *commercial assessment* to the PDPOA approximately proportional to their use of the roads/infrastructure and Security related-services.

However, Greenwood is the only commercial partner that derives votes within the PDPOA based upon their paid commercial assessment. In 2021, Greenwood's commercial assessment was equivalent to at least **158 residential properties** (equal to all of the residential properties on Mooring Buoy, including Ocean Cove villas) - providing those votes for Directors, upon matters at the Annual Meeting, and as otherwise permitted.

Greenwood's unique allocation of votes is based upon the 2005 Transition Agreement between the PDPOA and Greenwood, providing Greenwood with added developer control over the community.

Nearly two decades later, this influence upon the PDPOA is no longer appropriate as the desires of Greenwood often diverge from those of residential property owners. Recall, the PDPOA is a non-profit entity focused upon the needs of **residential owners**, and Greenwood is a for-profit company focused upon serving **resort guests**. To highlight this disparity, consider:

- Greenwood's introduction of Top Tracer in 2021 to generate additional revenue from the Robert Trent Jones driving range as an entertainment venue, while Queen's Grant owners must endure their properties being pelted with substantially more golf balls during the day and now into the evening with the addition of lights.
- The excessive requirement for Greenwood to lease back the owners' portion (second floor and rooftop deck) of the proposed Dunes House for 30 Saturdays plus 10 additional days annually to support their wedding business, locking owners out of their paid facility during these days.

Furthermore, the impact of the 158 votes is far more substantial per the table below given the number of residential property owners who vote.

Votes by the Full Membership: 100% Total Participation

Total Residential Properties	GW Votes Derived from Commercial Assessment	Total	GW Influence / Share of Total Votes
(A)	(B)	(A+B)	B/(A+B)
2172	158	2,330	6.8%

Votes at the 2021 Annual Meeting: 41% Total Participation

Residential Votes at 2021 Annual Meeting	GW Votes Derived from Commercial Assessment	Total	GW Influence / Share of Total Votes
(A)	(B)	(A+B)	B/(A+B)
787	158	945	16.7%

With the above citations, the purpose of this Bylaw amendment is to ensure the Palmetto Dunes Property Owners' Association operates in the best interest of all residential property owners while placing all commercial partners within the community on an equal footing as they all serve guests.

**Current Bylaw:** Article X, Section 1

1. Membership

Greenwood Communities and Resorts, Inc. (herein "Greenwood") is designated as a Special Member of the Association. Each year Greenwood will have the number of votes determined by dividing the total amount of assessments due by Greenwood for such year by the amount of the greatest single lot regular assessment due for such year. For example, if the single lots were assessed a regular assessment of \$1035 and if Greenwood were assessed \$133,289 in assessments for that year, then Greenwood would have 129 votes (133,289 divided by 1035 equals 128.78, or 129). However, if Greenwood sells any of its property subject to assessments, its vote will not transfer to any successor in title unless otherwise approved by the Association in accordance with paragraph 3 below.

**Proposed Bylaw Amendment:** Article X, Section 1

1. Membership

Greenwood Communities and Resorts, Inc. (herein "Greenwood") is designated as a Special Member of the Association with 0 (zero) additional votes beyond those derived from residential property ownership as a Member of the Association.

# #5

## Bylaw Amendment: Enable Owners/Members to Remotely Attend and Vote within Annual and Special Meetings

### Purpose:

Of the 2,172 property owners (Members) within Palmetto Dunes, more than 80% are remote owners. While today's technology enables the Annual Meeting to be viewed, actual attendance and participation (the ability for Members to speak, ask questions, vote, etc.) is not currently permitted unless two-thirds of the Board votes to declare a "Period of Emergency."

On September 16, 2021, the Board voted against (4 for, 5 against, 0 abstentions) declaring an Emergency for the 2021 Annual Meeting despite increasing infection rates of COVID 30 days before the scheduled 2021 Annual Meeting.

With the above citations and given more than 1,700 remote Palmetto Dune Property Owners, the purpose of this bylaw amendment is to increase Member engagement and participation allowing members to attend and participate in all current and future Special or Annual Meetings via electronic means as currently only permitted during "Emergencies."

### Current Bylaw:

None.

**Proposed Bylaw Amendments:** Article II, Section 10 with revisions to Section 5, 6, and 11.

#### 5. Annual Membership Meeting

At the Annual Meeting which shall be held in accordance with Section 10, Membership Meeting Methods, the election of the new Directors shall be announced. There shall also be held such votes on other matters which were specified in the notice of the meeting, and such other business conducted as may be appropriate.

#### 6. Special Meetings

Special meetings of the Membership which shall be held in accordance with Section 10, Membership Meeting Methods, may be called by the Board of Directors for consideration of specified items. A special meeting may be requested by the petition of one hundred (100) Members of the Association stating the items of business which such Members desire to submit for the consideration of the Membership. Upon receipt of the petition, the Board shall decide whether to call a special meeting or to place the requested items on the agenda of the next Annual Meeting which is at least ninety (90) days after receipt of the petition. The Secretary shall mail written notice to the Membership of a Special meeting at least thirty (30) days in advance of such meeting. Notice of a meeting shall contain the time and place of the meeting and an agenda of the business to be submitted to the Membership.

#### 10. Membership Meeting Methods

Annual and Special Meetings shall be held: (i) in-person unless the Board votes and declares a "Period of Emergency" and (ii) online conducted through use of Internet meeting services or other electronic means designated by the Board. The Internet meeting services or electronic means shall support (i) determination of membership attendance to confirm the existence of a quorum; (ii) confidential voting and support visible displays identifying those participating, identifying those seeking recognition to speak; (iii) showing (or permitting the retrieval of) the text of pending motions, and (iv) showing the results of votes. These electronic meetings of shall be subject to all rules adopted by the Board, to govern them. A confidential vote conducted through the designated Internet meeting service shall be deemed a ballot vote, fulfilling any requirement in the bylaws or rules that a vote be conducted by ballot.

#### 1140. Membership Meeting During a Period of Emergency

Upon the occurrence of, or anticipated occurrence of, acts war; riot; terrorism; civil commotion; military disturbances; nuclear or natural catastrophe; significant storm, earthquake, flood or fire; pandemic, epidemic, or

outbreak; or other acts of God; which, in the determination of the Board of Directors, acting on two-thirds vote, with the presence of a quorum, might likely negatively impact the health, safety, and /or welfare of Members attending an Annual Meeting or Special Meeting of the Membership (hereinafter an "Emergency"), then in that event, the Board may, but shall not be obligated to:

A. Postpone such an Annual or Special Meeting until such time as the Board determines the Emergency has passed or sufficiently subsided to allow the meeting to occur. In such event, the Board use its best efforts to give written notice of the postponement to the Membership at its earliest opportunity using either mail or electronic means.

~~B. Hold the Annual or Special Meeting by electronic means as provided in this subsection. Meeting held under this subsection may be conducted through use of Internet meeting services or other electronic means designated by the Board that support (i) determination of membership attendance to confirm the existence of a quorum; (ii) confidential voting and support visible displays identifying those participating, identifying those seeking recognition to speak; (iii) showing (or permitting the retrieval of) the text of pending motions, and (iv) showing the results of votes. These electronic meetings of shall be subject to all rules adopted by the Board, to govern them, which may include any reasonable limitations on, and requirements for, Members' participation. Any such rules adopted by the Board shall supersede any conflicting rules in the parliamentary authority. A confidential vote conducted through the designated Internet meeting service shall be deemed a ballot vote, fulfilling any requirement in the bylaws or rules that a vote be conducted by ballot.~~

BC. The postponement of a meeting pursuant to subsection A above shall not prevent the Board from calling a subsequent meeting by electronic means in the event of an extended Emergency. Likewise, the calling of a meeting by electronic means shall not prevent the postponement of that meeting in the event of a worsening of the Emergency or failure of infrastructure or utility service to conduct the meeting.

CD. During a period of Emergency as determined under this Article II, Section 110, all notices to Members of Annual or Special Meetings, or postponements or adjournments or reconvening thereof, together with any materials to be provided to Members in connection with such meetings, may be sent provided for in these Bylaws, except as otherwise expressly provided, shall be deemed sufficient if sent either (i) via US Mail postage prepaid, to the address shown on the register of Members; or (ii) via electronic mail to last address provided to the Association by the Member.