

PENSACOLA BEACH
SANTA ROSA ISLAND AUTHORITY

Board Members:

Thomas Campanella
Chairman

Tammy Bohannon
Vice-Chairwoman

Fred Gant
Secretary/Treasurer

Janice Gilley
Acting Secretary/Treasurer

Elwyn Guernsey
Dave Pavlock

W. A. "Buck" Lee
Executive Director

SANTA ROSA ISLAND AUTHORITY
PENSACOLA BEACH, FLORIDA
SPECIAL BOARD MEETING MINUTES
DECEMBER 2, 2013

1-3. A Special Board Meeting of the Santa Rosa Island Authority was held on Monday, December 2, 2013, beginning at 5:08 p.m. Members in attendance were: Chairman Thomas Campanella, Mr. Dave Pavlock, Mr. Fred Gant and Ms. Janice Gilley, and Ms. Tammy Bohannon. Mr. Ed Guernsey was absent. Chairman Campanella called the meeting to order and led the Pledge of Allegiance followed by a moment of meditation.

4. CHAIRMAN'S COMMENTS

Item # 1 - Discussion on proposed lease amendments and refinancing for Springhill Suites, Pensacola Beach. (Report by Mike Stebbins)

Chairman Campanella stated each of the attorneys (Mike Stebbins, SRIA, Phillip Pugh, Springhill Suites, and Linda Hoffman, American Fidelity) would have 10 minutes to speak, with a 5 minute rebuttal period, and then a vote would be called.

Mr. Stebbins spoke first, stating his recommendation remained the same, taking no action until all litigation between the 2 parties has been settled.

Mr. Pavlock asked what had changed in the last two weeks, to prompt this meeting.

Mr. Stebbins stated he was not aware of any changes on this item since the last discussion held by the SRIA Board.

SPEAKER:

Phillip Pugh – He is the attorney representing Springhill Suites/David Brannen. He stated the difference since the last meeting is that the SRIA Board was told repeatedly that there was no lender, and he had correspondence from the proposed lender to share with the Board. He reviewed the history of the leases, etc., for the Board. He said if the SRIA Board did not grant approval tonight, his

SANTA ROSA ISLAND AUTHORITY
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client would be foreclosed upon and would lose \$8-10 million. He stated the documents would be held in escrow By Mr. Stebbins until American Fidelity (AMFI) was paid in full. He requested the Board take a valid vote this evening, even though he believes it is probably too late to help his client. He stated his client will have no choice but to sue the SRIA Board for slander of title.

Ms. Bohannon stated the reason she voted for AMFI on the last vote was due to the fact that it appeared to her that many different entities were being created and shifted, and she didn't have a good feeling about the situation.

Mr. Pugh pointed out that the Board was voting on a request made by his client, Springhill Suites/David Brannen.

There was much discussion as to whether or not an error was made in 2001, when the leases for the 2 properties were combined. Mr. Pugh maintains an error was made, Mr. Stebbins doesn't necessarily agree, and Ms. Hoffman states it was intentionally entered into.

Mr. Pavlock asked if Mr. Endry agreed to the splitting of the lease.

Mr. Pugh said absolutely Mr. Endry agreed, but when pushed for written proof, could provide none to the Board.

The email from the proposed lender was produced and submitted for the Board's review.

Mr. Stebbins pointed out there was no detail to the email regarding closing and asked if there was a checklist Mr. Pugh was to follow for the closing.

Mr. Pugh said there absolutely was a checklist, but refused to provide it to the SRIA Board. He stated his client was being held hostage by the SRIA.

Mr. Pavlock asked which party requested the joining of the 2 properties in 2001.

Mr. Pugh stated Pensacola Beach, Inc. wanted to build a hotel and had requested to join the 2 properties.

Mr. Pugh stated his client had addressed all the concerns the Board had raised about these documents, and said the SRIA Board voted against Springhill Suites/David Brannen because AMFI had told them to do so.

SANTA ROSA ISLAND AUTHORITY
PENSACOLA BEACH, FLORIDA
SPECIAL BOARD MEETING MINUTES
DECEMBER 2, 2013

Mr. Pavlock and Ms. Gilley denied the accusation.

Mr. Gant stated he has concerns that the entity making the request actually has the authority to make the request.

Mr. Stebbins concurred with Mr. Gant.

Mr. Pugh tried to explain the relationship between Pensacola Beach Inc. and Pensacola Beach LLC. He then stated it didn't matter, since it was the same people involved, just different entities. He admitted he didn't know the exact corporate structure of the two companies.

There was much discussion as to whether or not Pensacola Beach, Inc. actually has the authority to make the request for all the changes to the leases, etc., and also whether or not the document in question was a sublease or an assignment of lease.

Mr. Stebbins pointed out the two parties are not working together to resolve the issues. He stated they are putting the SRIA Board in the middle.

SPEAKER:

Linda Hoffman – She is the attorney representing AMFI. She stated this was an intentional combination back in 2001, because David Brannen and Joe Endry were partners and Mr. Brannen needed the addition of Mr. Endry's parcel for density issues. She stated the Board was being asked to not just sub-divide the properties, but also to re-assign the current assignment. She also pointed out that only the 2 ground lessor agreements had conditions written into them that supported that AMFI would be fully satisfied. The other documents did not contain that contingency. She also stated there were no escrow agreements, and AMFI had great concerns over being paid.

Mr. Pavlock encouraged the 2 sides to talk to each other and work things out, and he stated he had not spoken to either side outside of the Board Meetings.

Marilyn Hess – She stated litigation has gone on for years and an offer to settle has never been made. She disputed Mr. Brannen's appraisal numbers, and stated it would take close to \$6 million to upgrade the hotel to Marriott standards. She asked the SRIA Board to please vote against the requested action.

SANTA ROSA ISLAND AUTHORITY
PENSACOLA BEACH, FLORIDA
SPECIAL BOARD MEETING MINUTES
DECEMBER 2, 2013

Mr. Lee stated the bill from SRIA's counsel, Mr. Stebbins, was already \$9,400.00 in November.

Mr. Pavlock asked if public funds were expected to pay the bill, or should the entities requesting the meetings be asked to pay.

Mr. Stebbins stated some of the proposed documentation allowed for reimbursement, but he did not recommend approving the documents.

Mr. Pavlock pointed out the SRIA Board employs legal counsel to advise them, and Mr. Stebbins has studied this proposal, has many concerns and recommends no action be taken.

There was discussion over who should make the motion, and if a vote needed to be taken.

Mr. Pavlock made the following motion, which was seconded by Dr. Campanella; Based on our attorney's recommendation and the fact this is a legal dispute between two corporations that don't directly involve the SRIA, we take no action on separating the leases.

Mr. Gant requested the litigation language be removed from the motion.

Mr. Pavlock amended his motion to reflect the following; Based on our attorney's recommendation, we take no action on separating the lease.

Mr. Lee read from Mr. Stebbins' memo.

Ms. Gilley asked if the motion made by Mr. Pavlock was the same motion made at the last meeting.

Mr. Stebbins stated the substance was the same.

Ms. Gilley made a substitute motion; The SRIA not grant the lease bifurcation request and not participate in the proposed financing until Pensacola Beach, Inc., Pensacola Beach LLC, David Brannen and American fidelity have resolved their litigation. This motion was seconded by Dr. Campanella. The Board voted 4-1 in favor of this motion. (Mr. Gant voted in the negative)


Mr. Gant stated he had no concerns about the density issues.

SANTA ROSA ISLAND AUTHORITY
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5. ADJOURN

Adjournment:

There being no further business to come before the Board, Chairman Campanella declared the Special Board Meeting of the SRIA Board adjourned at 6:15 p.m.



SECRETARY



CHAIRWOMAN

(Please note that the Santa Rosa Island Authority does not make verbatim transcripts of its meetings, although the meetings are tape-recorded. Any person desiring a verbatim transcript of a meeting of the Santa Rosa Island Authority will need to independently secure such verbatim transcript.)