

**MINUTES OF A CLOSED SESSION OF THE COLUMBIA ASSOCIATION  
BOARD OF DIRECTORS**

**September 2, 2004**

**CA Headquarters**

**Minutes made Public by Vote of Columbia Association Board of Directors  
October 28, 2004**

The Columbia Association (“CA”) Board of Directors (“Board”) commenced a closed session at approximately 8:10 p.m. The Directors present were Joshua Feldmark, Phil Marcus, Jud Malone, Tom O’Connor, Cabell Greenwood, Miles Coffman, Barbara Russell, Wolfger Schneider, David Hlass and Maggie Brown. Also present were Rob Goldman (CA’s Vice President of Sport & Fitness) and Sheri Fanaroff (CA’s General Counsel). Mr. Hlass moved to close the meeting and Mr. Greenwood seconded the motion. The meeting was closed by a unanimous vote pursuant to Section 11B-111(4) (viii) of the Homeowners Association Act (“HOA”).

Based on a request by the Governance Committee that the Board waive the attorney-client privilege with respect to a chart, prepared by the law firm of Whiteford, Taylor & Preston, regarding the rights of members under Maryland corporate law and the rights of lot owners under the HOA, Mr. Schneider moved to waive the privilege. Mr. O’Connor seconded the motion, and the motion was approved unanimously.

Mr. Goldman then provided a handout containing a Power Point presentation regarding proposed improvements to the Athletic Club (the “AC”) entitled “Lifetime Fitness: A Competitive Challenge to the Columbia Association - - Presented to the CA Board of Directors in Executive Session September 2, 2004.” Mr. Goldman noted that the Board has already approved in the FY05 budget and the FY06 conditional budget a total of \$1.270 million for planning and construction of a hot water therapy pool addition at the AC. According to Mr. Goldman, CA could further address the competitive issues presented by Lifetime Fitness by making additional renovations to the AC, and the cost to make those renovations would be less if done in conjunction with the construction of the therapy pool addition than if done later as a separate project. Mr. Goldman also noted that the AC is CA’s oldest facility and a large percentage of CA’s longest-standing members use the AC. The addition of an indoor tennis facility in 1987 was the last major renovation to the AC. Essentially, Mr. Goldman proposed the addition of a second level to the therapy pool building, which in turn would provide space for other renovations set forth in his presentation.

In addition to the Power Point presentation, Mr. Goldman provided an interest and depreciation schedule for the proposed AC enhancements and a project estimate worksheet prepared by Jack H. Kidd Associates. During and following Mr. Goldman’s presentation, which is attached to these minutes, the following discussion occurred.

Mr. Hlass questioned what incentive there was to be a Package Plan Plus (“PPP”) member, if Mr. Goldman is going to provide the changes and amenities he described to regular Package Plan (“PP1”) members. Mr. Hlass suggested that CA sell only PPP memberships. Mr. Goldman responded that CA Boards have always wanted to provide as a community service a very affordable membership, which is PP1. In addition, there will still be amenities offered to PPP members that are not available to PP1 members.

Mr. Coffman suggested that the cardio theater proposed by Mr. Goldman should be placed where it can be viewed by the maximum possible number of users of the cardiovascular equipment, since that is the most popular equipment.

Ms. Russell stated that she has heard that there is a plan by a group of doctors to build a new fitness type of facility behind Howard County hospital, which also will have a therapy pool and doctors’ offices, and will be very upscale. Ms. Russell commented that before the Board approves the expenditures being proposed by Mr. Goldman, this rumor should be checked out.

Mr. Hlass asked why the planned therapy pool was not bigger. Mr. Goldman explained that if the addition onto the AC that will house the therapy pool exceeds 5,000 square feet, CA will be required to prepare a complete site development plan and it will take 10 to 12 months to obtain the necessary approvals from the County. Mr. Feldmark pointed out that this meeting was not the appropriate time for a discussion of the therapy pool, since this was already discussed and approved by the Board as part of the budget process.

Mr. Hlass then requested survey data showing what members have had to say about what they want from CA’s clubs.

Mr. Goldman provided the Board with estimated costs for the proposed enhancements to the AC, broken down into costs in FY05 (\$800,000) and FY06 (\$1,971,000). Mr. Goldman, as previously requested by the Board, also provided a list of approved capital projects that can be deferred, totaling \$2,094,150. Ms. Russell objected to deferring any neighborhood pool renovations. She would rather defer the renovations to the Hopewell Pool.

Mr. Marcus stated that the Board needs to decide whether the Athletic Club enhancements are important to compete with Lifetime Fitness (“LF”) and should not base its decision on the deferral of other capital projects. Mr. Marcus said that he wants to see projections regarding the preservation of the annual income stream of \$4 million, and wants to know how much of that \$4 million would be protected by the renovations to the Supreme Sports Club (“SSC”) and how much would be protected by the renovations to the AC. Mr. Marcus also expressed his opinion that the AC is not a direct competitor of LF, given the AC’s location. Mr. Goldman responded that many of CA’s members use all of CA’s clubs, so improvements to the AC as well as to SSC improve CA’s competitive position and ability to retain and sell memberships.

Mr. Marcus also asked Mr. Goldman if all the capital projects were important priorities when presented to the Board for approval during the budget process, why were they not important now. Mr. Goldman replied that those projects are still important, but not as imperative as addressing the challenge of LF. Mr. Coffman pointed out that the Board asked the staff to provide a list of capital items that could be deferred or eliminated, so that is what Mr. Goldman did - - he complied with the Board's request. Mr. O'Connor added that the Board requested the list when voting for the Hopewell Pool improvements, and agreed that the list would not affect that vote but was requested for debt management purposes. Mr. Feldmark said the issue now before the Board was what it wishes to do with the list.

Mr. Schneider commented that Mr. Goldman's proposals make CA look like its purpose is to provide sport and fitness facilities. Mr. Schneider then quoted from the American Bar Association's Guidebook for Directors of Nonprofit Corporations and asserted that CA cannot engage in competition without jeopardizing its non-profit status. Ms. Fanaroff noted that CA's Charter specifies that CA's purposes include providing services and facilities to promote the general welfare, including the health and recreation, of the people of Columbia and its environs, and that the IRS, in granting CA section 501(c)(4) non-profit status, had reviewed and considered CA's Charter. Mr. Schneider stated that he would refuse to vote on Mr. Goldman's proposals unless CA obtained a proper independent legal opinion.

Ms. Russell stated that too much emphasis is being placed on competition coming from other health clubs, and that CA needs to be more circumspect regarding how much money it is spending on sport and fitness. Ms. Russell offered her view that the Board need not consider renovations to SSC, the AC and the Hopewell Pool all at one time, and that while all of those renovations might be necessary at some point, they did not all need to be made now. Ms. Russell stated that the Hopewell Pool renovations did not need to be done at this time. Mr. Goldman pointed out that the proposed renovations are designed to protect \$4 million in revenue that CA uses to subsidize community service and open space facilities and services.

Mr. Feldmark commented that the discussion the Board was embarking upon should be postponed and held in the next open session of the Board on September 9, 2004.

Mr. Greenwood suggested that the Board should have a half-day or full-day budget review session, so that the Board could examine the renovation proposals and the list of capital items that might be deferred in the context of the entire budget.

Ms. Brown stated that LF is a formidable competitor, and knowing that LF needs to take some of CA's members in order to succeed, it seems clear that CA needs to confront the challenge.

Mr. Goldman agreed to ask Rafia Siddiqui to compile financial information reflecting all of the financial commitments made by the Board to date relative to the LF challenge and the financial impact of the additional proposed renovations to the AC.

Mr. Malone said that timing is critical with respect to LF and there are a series of things that need to be accomplished. Mr. Malone stated that Mr. Goldman has done all of the necessary homework, and it was now time for the Board to look at the whole picture and put CA's major competitive responses in place.

Mr. Coffman raised a housekeeping matter and moved for the Board to waive the attorney-client privilege with respect to an opinion letter dated June 29, 2004 from the law firm of Whiteford, Taylor & Preston captioned Public Discussions Regarding Pending Board Matters. Mr. O'Connor seconded the motion. The motion passed unanimously.

Mr. Malone moved to approve the minutes of the August 5, 2004 Executive Session of the CA Board. Mr. Schneider seconded the motion. The motion passed by a vote of six in favor (Mr. Feldmark, Mr. Marcus, Mr. Greenwood, Mr. Malone, Mr. O'Connor and Mr. Schneider) and three abstentions (Mr. Coffman, Mr. Hlass and Ms. Russell).

Mr. O'Connor moved to make public the proposed renovations to the AC presented by Mr. Goldman at this meeting. Mr. Greenwood seconded the motion, which passed unanimously.

Mr. Coffman moved to open the meeting and Mr. O'Connor seconded the motion, which passed unanimously. The meeting adjourned at approximately 10:00 p.m.

Respectfully submitted,

Joshua Feldmark, Chair  
Columbia Association Board of Directors

**Approved by Columbia Association Board of Directors October 29, 2004**