

**CLUB REGENCY OF MARCO ISLAND  
ANNUAL MEETING  
FRIDAY, JANUARY 9, 2009**

The meeting was called to order at 10:00 a.m. by President, Ralph Pearman at Club Regency of Marco Island, Marco Island, Florida. Board members in attendance were: Jan Brehm, Judge Ralph Pearman, Dr. Charles Pineno and Arnold Zimmerman. Mr. Chinavare was unable to attend the meeting. Attending from Hilton Grand Vacations (HGV) were: Tony McHugh – Resort Manager, Roberto Trejos – Assistant to the Resort Manager, Randy Piatt – Regional Vice President-Managed Collection, Lael Kilpatrick – Regional Manager Resort Operations and Riki Martin – Administrative Assistant and Acting Recording Secretary for this meeting.

A sign-in sheet was circulated for the owners present in lieu of a formal roll call. There was a call for outstanding proxies. A quorum was established.

Judge Pearman introduced the Club Regency staff and the Hilton Grand Vacations management team.

**APPROVAL OF PREVIOUS MINUTES**

The minutes of the 2008 Annual meeting were sent to the owners in the newsletter in 2008. A copy was included in the agenda packet distributed to the owners in attendance. Judge Pearman asked if there were any corrections to the minutes. **MOTION was made and seconded to approve the minutes of the 2008 Annual Meeting.** All voted in favor. **Motion carried.**

**MANAGERS REPORT – Tony McHugh**

Mr. McHugh introduced his staff and thanked the owners for attending the meeting.

**2008 PROJECTS**

New stone walkway installed between C building gate and clubhouse

Spa has been relined

Pool heater and auto-fill replaced

New pool furniture

17 master bathrooms completely renovated

All unit lanai concrete floors have been repaired and resurfaced

The sundeck and clubhouse deck were replaced with a 30 year low maintenance composite material

New fencing and gates installed

Building roof tiles cleaned

New door locks and latches were installed.

**BOARD OF ADMINISTRATION REPORT – Judge Pearman**

Judge Pearman thanked the board members for their hard work and support. It is the board's obligation to preserve the owner's investments. Judge Pearman gave a special thanks to Ms. Brehm for all her work on the master bathroom project. He thanked Mr. McHugh for doing a great job.

Dr. Pineno thanked the owners for attending the meeting. He thanked Judge Pearman for his continued leadership and all the work of the board members. He recognized Ms. Brehm for her work on the bathroom renovations. He also thanked Mr. McHugh and his staff.....they are a great team.

Mr. Zimmerman gave a special thanks to Ms. Brehm for all her work on the bathroom project.

Ms. Brehm stated that it has been a pleasure and an honor to head up the bathroom project. The remaining 15 master bathrooms will be completed this year.

**INSURANCE REPORT – Randy Piatt**

The Hilton Grand Vacations Company master property insurance program, which renewed June 1, 2008, provides coverage for the resort on behalf of the Association. The program is a layered structure comprised of multiple insurance carriers with a \$150,000,000 limit, per occurrence and in annual aggregate. This limit provides the Association full replacement value coverage for the resort. Generally, the program insures against perils resulting in direct physical loss or damage to the real and/or personal property at the resort for “All Risks” including flood, earthquake, and named windstorm. In addition, the policy extends coverage for the recovery of cost and expenses to the Association due to business interruption (including timeshare owner fees), service interruption, boiler & machinery damage, debris removal, landscaping, loss of access to the property, demolition and increased cost of construction (a/k/a Law & Ordinance), etc. Deductibles under the policy are determined for any one occurrence of an insurable event and vary depending on the type of peril experienced at the resort property. Again, generally all insurable losses will have a \$25,000 deductible, with the exception of named windstorm, earthquake, and flood. Earthquake and flood deductibles are 2% and 5% respectively of the values affected and determined separately for each unit of insurance (i.e., building, contents). Named windstorm deductibles are 5% of the value of each unit of insurance at the time of loss. All Florida resorts, with the exception of Orange County, also have a deductible buy down feature for named windstorm losses which reduces the deductible to \$100,000 per “Location”. A Location being a group of resorts valued together within a certain defined area, for example Marco Island. In addition to property coverage, Hilton maintains, for each Association, insurance policies for general liability, auto (where applicable), terrorism, and Directors & Officers coverage at limits and deductibles as stated in the schedule of insurance previously supplied to the Board.

**RESALES REPORT – Lee Shook**

Thanks to the staff

2008 Total Sales Volume	\$340,150
Total Number of Weeks Sold	50
Association Weeks Sold	11
2007 Total Sales Volume	\$358,900
Total Number of Weeks Sold	29

**RENTAL REPORT – Lael Kilpatrick**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Nights Available	658	760	911
Nights Rented	341	484	610
Occupancy	51.8%	63.7%	67.0%

Gross Revenue	\$95,283	\$133,584	\$157,976
Average Rate	\$279.42	\$276.00	\$258.98
Weeks Available for Rental	92	104	124
Weeks with Rental Activity	52	85	97
% with Rental Activity	56.5%	81.7%	78.2%
Weeks Renting 4 or more Nights	45	71	79
% getting 4 or more Nights	86.5%	83.5%	81.4%

**FINANCIAL REPORT – Arnold Zimmerman**

1. Mr. Zimmerman reported that the financial condition of Club Regency is in reasonably good condition. We had an accumulated deficit at the beginning of 2009 of \$66,054. This has been building over a period of about six years, and results mainly from our inability to sell repossessed association units at prices that would allow us to break even on them. Some of these units had first mortgage balances due a successor developer and we were unable to foreclose timely. We are not immune to problems that have been plaguing the real estate and mortgage banking industry the past several years, but the Board felt that we should be aggressive in our policy of selling units at lower prices, if necessary, so as to have an owner rather than the association own the property. The Board has provided a \$28,000 allowance in the 2009 budget and expects to continue this in 2010 and 2011 to reverse this condition. Following are some of the details for 2008.

2. The financial records through December 31, 2007 have been audited by the CPA firm Myers, Brettholtz & Company, PA of Ft. Myers. A copy of that report is available to any owner who may request a copy. This firm has been engaged to audit the financial records for the year ending December 31, 2008.

3. Unaudited internal figures through November 30, the latest available, report the following:

	<u>2007</u>	<u>2008</u>
Cash in the operating fund	\$ 134,059	\$ 159,298
Cash in the reserve fund	511,838	508,326
Cash in the real estate escrow	<u>8,578</u>	<u>6,493</u>
	<u>\$ 654,475</u>	<u>\$ 674,117</u>

The related increase in the operating fund cash is \$25,239. The decrease in the reserve fund cash is \$3,512

Some of the details were mentioned earlier, but the total amount we have spent during the year on capital improvements and replacements is \$ 300,034. More than one half of this amount was spent on bathroom renovations and the balance was spent on lanais reconstruction and deck and rail replacements. The balance in the reserve fund is \$510,755 on November 30, which was \$511,987 at the beginning of the year.

Our operating fund loss for 2008 through November 30 is \$64,029 and is in a negative variance of \$63,499 from the budget. There are three areas that account for this negative variance: Loss on association owned weeks sold, insurance and utilities.

While the actual and budget amounts show a negative variance of \$63,499 for the 11 months, there are variances in certain categories of income and expense that produce this result as follows:

Revenue	\$ -1,988
Administration	-301
Operating services and supplies	9,053
Utilities	-12,698
Grounds	6,293
Pool and Spa	-3,607
Recreation	-110
Building	-1,182
Insurance and taxes	-6,575
Reserves	-6
Profit on sale of association weeks	<u>-52,378</u>
Total	<u>\$-63,499</u>

4. Annual Maintenance fee:

	2007	2008	2009	Statutory
Operating	\$549.60	\$565.05	\$611.89	\$611.89
Reserve	<u>157.68</u>	<u>167.14</u>	<u>169.83</u>	<u>293.17</u>
	<u>\$707.28</u>	<u>\$732.19</u>	<u>\$781.72</u>	<u>\$905.06</u>

Comparison with other Hilton Grand Vacations managed properties on Marco Island

	Lowest	Mid	Highest
Operating	\$625.00	\$630.56	\$735.30
Reserve	<u>193.00</u>	<u>196.10</u>	<u>164.42</u>
	<u>\$818.00</u>	<u>\$826.66*</u>	<u>\$899.72</u>

\* \$846.66 for Flex Week

**RATIFICATION OF 2009 BUDGET**

Judge Pearman advised that the proposed 2009 operating and reserve budget was sent to each owner with the maintenance fee statement and a copy was included in the agenda packet distributed at this meeting. **MOTION was made and seconded to ratify the 2009 budget as presented.** All owners voted in favor. **Motion carried.**

**TELLER'S REPORT**

There were 960 unit weeks represented, both in person and by proxy, out of a possible 1,632 unit weeks, which represents 59% owner response.

**WAIVER OF STATUTORY FUNDING OF RESERVES**

There were 460 votes to waive the statutory funding of reserves and 14 votes not to waive the statutory funding of reserves. Therefore, the waiver of statutory funding of reserves was approved and the reserve funding will remain at the level approved in the 2009 budget.

### **ELECTION OF BOARD MEMBERS**

There were six candidates seeking election to fill the two seats available on the Board of Administration. The candidates receiving the highest number of votes were: Jan Brehm and Dr. Pineno, who were elected to serve a three-year term. The current Board of Administration is: Judge Ralph Pearman, James Chinavare, Arnold Zimmerman, Jan Brehm and Dr. Charles Pineno.

### **ADJOURNMENT**

**MOTION was made and seconded to adjourn the meeting.** All owners voted in favor. **Motion carried.**

**Meeting adjourned at 10:45 a.m.**

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