

**CLUB REGENCY OF MARCO ISLAND
ANNUAL MEETING
FRIDAY, JANUARY 13, 2006**

The meeting was called to order at 10:10 a.m. by President Ralph Pearman at Club Regency of Marco Island. All Board members were in attendance: Jan Brehm, James Chinavare, Ralph Pearman, Charles Pineno and Arnold Zimmerman. Attending from Hilton Grand Vacations Company (HGVC) were: Sharry Luneke – Resort Manager, Evelyn Navarro – Assistant to the Resort Manager, Lael Kilpatrick – Regional Manager Resort Operations, Randy Piatt – Sr. Director 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 Club Regency staff and Hilton Grand Vacations Company management team.

APPROVAL PREVIOUS MINUTES

The minutes of the 2005 Annual Meeting were sent to the owners in the newsletter in 2005. A copy was included in the agenda packet distributed to 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 2005 Annual meeting.** All voted in favor. **Motion carried.**

MANAGER'S REPORT – Sharry Luneke

Mrs. Luneke reported on capital additions and major maintenance during the past year.

- Front desk facelift
- Flat roof front office
- Maintenance chickee hut roof replaced
- E & D building air conditioning condensing units replaced
- Remodel guest bathrooms
- DVD/VCR combo for living room
- Pillows added to living room chairs
- Replaced mattresses in master bedroom
- Twin mattresses have been ordered
- Lanai furniture has been ordered
- Kitchen appliances have been ordered, microwave, refrigerator, dishwasher
- Structural repairs

Hurricane Damages

- Roof leak
- Screens/windows
- One slider damaged
- Tennis courts and lights
- Fencing
- Landscape
- Shower by boardwalk removed

Mrs. Luneke thanked her staff, the Board of Administration and HGVC management team.

BOARD OF ADMINISTRATION REPORT – Judge Pearman

Judge Pearman introduced the Board members.

Dr. Pineno thanked the owners for attending the meeting. He stated it is a pleasure serving on the Board. He thanked Judge Pearman for his leadership. He also thanked Mrs. Luneke and her great staff and HGVC for all the hard work due to the hurricane.

Ms. Brehm thanked the owners for the continued support and stated it is a pleasure to serve on the Board. This morning she met with the arborist to review the landscape replacement plans. The landscape received significant damage last year during hurricane season in addition to the direct hit from Hurricane Wilma. There will be about a dozen hardwood trees coming down to be replaced with more salt tolerant plants.

Mr. Chinavare stated that it is an honor to serve on the board and that this is his second year on the Board.

Mr. Zimmerman has served for 13 years on the board and feels that it is an honor to serve. He thanked Mrs. Luneke and her staff for the great job they do. He is working to get wireless internet service in the D & E buildings.

Judge Pearman stated that the board meets twice a year and also has two teleconference meetings. Karin's Engineering has inspected the unit lanais for spalling concrete and have had to remove the river rock and patch E108 as it was in the worst shape. Club Regency maintenance fee is the lowest on the island of all HGVC resorts at \$616.04.

Thanks to Mr. Piatt and the team of hurricane adjustors and landscape experts. They were able to get the resort open in three weeks.

INSURANCE REPORT – Randy Piatt

The Association has property insurance through Hilton Hotels Corporation, including all risk perils, flood and windstorm at 100% replacement cost with a \$25,000 primary deductible. The perils of flood and “windstorm” – storms named by the National Weather Service and with sustained winds of at least 75 mph within 25 miles of shore have a \$100,000 deductible. Most insurance policies have a deductible of 2% of the property value. The policy also provides coverage for pools, spas, tennis courts and landscaping. The broker is Marsh; the primary carriers are ACE, Lexington, Commonwealth, Columbia Casualty, and Lloyd’s of London.

Public liability insurance coverage for the Association continues in effect for injury or damage to third parties with limits well in excess of \$100 million. Directors and Officers liability insurance of \$5 million and crime insurance as required by the State are also maintained. A schedule of insurance was included in the handout.

The rates are anticipated to go up, but the Board anticipated that in preparation of the 2006 budget. A 25% increase was budgeted for property insurance at renewal in June, and a 50% increase was budgeted for liability insurance at renewal in March.

Mr. Piatt advised that HGVC was able to secure coverage for individual property owners who may be reimbursed for maintenance fees and real estate taxes if they couldn’t occupy their unit due to an insurable event (fires, hurricanes, etc.), provided they have no other means for vacation (won’t be able to “double dip”). Each claim would be reviewed on its individual merits. Owners who are affected will be contacted individually. This coverage is in effect with the policy years beginning June 1, 2005. It is not vacation insurance; it will not reimburse for a lost vacation it only reimburses for maintenance fees and real estate taxes. People who are evacuated are eligible for “extra expense” insurance (penalties for changing airfare, etc.). This additional coverage does not impact the insurance premium. People may be able to purchase vacation insurance through their personal insurance agent or other vacation insurance policies are available. HGVC went to the insurance company to secure this protection because Florida Statutes say that any refund of common expenses has to be made equally. The Board cannot choose to refund maintenance fees to just those impacted.

DEMOGRAPHIC STUDY

Mrs. Luneke stated that during the 2005 Annual Meeting it was requested that the Board conduct a demographic study of the ownership base. Some owners that purchased from the developer were told they would have usage of the resort’s amenities at any time. Your condominium documents, however, state that usage of the facilities shall be limited to the period of ownership each year.

The demographic study shows that 123 families live less than 75 miles from the resort. An additional 44 families live within 100 miles of the resort. A total of 221 families live less than 2 hours from the resort.

The number of owners living within close proximity of the resort could greatly impact the usage of the facilities for those here for their ownership period. Considering this, together with the cost of changing the condominium documents, the Board voted that no changes would be made to the policy.

RESALES REPORT

Total Sales Volume	\$380,780
Total Number of Weeks Sold	30
Weeks Sold with Club Membership	11

RENTAL REPORT 2005

	2005	2004	2003
Nights Available	823	837	965
Nights Rented	495	504	513
Occupancy	60.1%	60.2%	53.2%
Gross Revenue	\$132,223	\$134,665	\$133,578
Average Rate	\$267.12	\$267.19	\$260.39
Weeks Available for Rental	119	116	135
Weeks with Rental Activity	85	89	89
% with Rental Activity	71.4%	76.7%	65.9%
Weeks Renting 4 or more nights	71	69	67
% getting 4 or more nights	83.5%	77.5%	75.2%

COMMENTS:

Rentals in 2005 were almost a mirror image to those in 2004. This is significant in that the market in the late summer and fall was off considerably from previous years as many renters were reluctant to vacation in Florida at that time because of the number of hurricanes we experienced the previous year. In fact, Club Regency was closed for a short time due to hurricane damage from Wilma but did bounce back quickly.

FINANCIAL REPORT

Mr. Zimmerman reported that the financial condition of Club Regency is good. The financial records through December 31, 2004 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, 2005.

Unaudited internal figures through November 30, the latest currently available show the following:

	<u>2005</u>	<u>2004</u>
Cash in the operating fund	\$ 71,683	\$ 223,112
Cash in the reserve fund	467,244	395,239
Cash in the real estate escrow	<u>4,466</u>	<u>360</u>
	<u>\$ 543,393</u>	<u>\$ 618,711</u>

The related decrease in the operating fund cash is \$151,429. This results mainly because the maintenance bills were mailed later this year than last year.

Some of the details were mentioned earlier, but the total amount we have spent during the year on capital improvements and replacements is \$158,754. The balance in the reserve fund is \$468,331 on November 30.

Our operating fund profit for 2005 through November 30 is \$20,149 and is in a positive variance of \$12,095 from the budget. Considering an annual budget of \$770,139, this is approximately a 2.6% variance. It is difficult to project our year-end results because of the effects of Hurricane Wilma and the related insurance claims on our financial statements. We are optimistic that the year end results will be near the 2005 budget which was approved last year.

While the actual and budget amounts show a positive variance of \$12,095 for the 11 months, there are variances in certain categories of income and expense that produce this result as follows:

Revenue	\$ 1,759
Administration	3,369
Operating services and supplies	16,800
Utilities	-11,822
Grounds	6,223
Pool & Spa	936
Recreation	707
Building	3,085
Insurance & Taxes	2,903
Profit on sale of association weeks	-9,000
Hurricane	<u>-2,865</u>
Total	<u>\$12,095</u>

Annual Maintenance Fee:

	2004	2005	2006	Statutory
Operating	\$448.33	\$455.23	\$467.25	\$467.25
Reserve	<u>130.80</u>	<u>128.50</u>	<u>148.79</u>	<u>234.80</u>
	<u>\$579.13</u>	<u>\$583.73</u>	<u>\$616.04*</u>	<u>\$702.05</u>

*This represents an increase of 5.5%

Comparison with other properties on Marco Island for 2006

Surf Club	\$669.59
Charter Club	684.77
Eagle's Nest	655.00

RATIFICATION OF 2006 BUDGET

Judge Pearman advised that the proposed 2006 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 2006 budget as presented by the Board of Administration.** All owners voted in favor. **Motion carried.**

TELLER'S REPORT

There were 518 unit weeks represented, both in person and by proxy, out of a possible 1,632 unit weeks, which represents 32 % owner response.

WAIVER OF STATUTORY FUNDING OF RESERVES

There were 491 votes to waive the statutory funding of reserves and 9 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 2006 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. Charles Pineno who were elected to serve a three-year term. The current Board of Administration is: James Chinavare, Ralph Pearman, Arnold Zimmerman, Jan Brehm and Charles Pineno.

ADJOURNMENT

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

Meeting adjourned at 11:05 a.m.