

**HURRICANE HOUSE
ANNUAL MEETING
March 3, 2009**

The 2009 Annual Meeting was called to order at 1:30 p.m. by President John Klemmer in the Resort Office at Hurricane House, Sanibel Island, Florida. All Board members were in attendance: Lee Barnes Bogan, Bobbie Gardner and John Klemmer. Attending from Hilton Grand Vacations Company (HGVC) were: Angela Talty – Resort Manager, Colleen Nolan – Assistant to the Resort Manager, E. J. Nees – Director of Resort Operations - Sanibel/Captiva, and Cindy Glasenapp – Administrative Assistant and acting Recording Secretary for this meeting.

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

APPROVAL OF MINUTES – The minutes of the 2008 Annual Meeting were sent to the owners in the newsletter during 2008 and included in the agenda packet distributed at the meeting. Mr. Klemmer asked if there were any corrections to the minutes. ***MOTION was made and seconded to approve the minutes of the 2008 Annual Meeting as presented.*** All voted in favor. **Motion carried.**

MANAGER'S REPORT – Angela Talty

Angela thanked the Board of Directors for their efforts and assistance this past year and all of the resort owners for their support. She also thanked E.J. Nees, Cindy Glasenapp and Randy Piatt, the HGVC regional staff and the Hurricane House Resort staff, Colleen Nolan, Brian Woodson, Joan Cloward, Deborah Barnes and Lee Barnes Bogan for their diligence and hard-work this year.

Angela apologized for the noise on the property the past few weeks and thanked

the owners in residence for their patience. There has been a lot going on. Prior to getting a permit to trim the sea grapes, the City required that all non-native and invasive vegetation growing within the DNR zone be removed. A wood chipper was on site for three long and noisy days. Replacement plantings and trimming of the sea grapes will be scheduled once the permitting has been approved by the City of Sanibel. In addition to the three days of noise, the pavers for the parking garages showed up. It took two weeks to install the pavers, and then it was time to trim the trees.

Angela reported on some of the projects that have been completed so far in 2009. Pavers have been installed underneath the buildings. The Board has approved putting the leftover pavers on the walkways on the beach side. Some day in the future we hope we will have them going to the road. New LG flat screen HD televisions were put in the living rooms. Repairs have begun on the property boardwalk and should be completed by the end of this week. New plantings will be installed in front of the buildings, under the front entrance stairwells and at the front of the property this week.

Angela reported that other projects are scheduled to be completed in 2009. The pool and spa interiors will be resurfaced in September. The pool and spa pavers and the walkway pavers will be re-sanded and sealed as well in September. The Board approved new décor to include living room couches, chairs, televisions, credenzas and accessories, re-upholstering the dining room chairs, new carpet throughout the units and DVD players for both bedrooms. A sample design board can be seen in the resort office. The front entrance sign will be replaced and will comply with new codes.

The weekly cookouts have been a success, with great turn-out. A Question and Answer session has been added to the cookout from 12:00 p.m. to 12:30 p.m. Owners and their guests must sign-up for the cook-out prior to 5:00 p.m. on Monday and receive a ticket to present at the cook-out.

Angela encouraged owners to call the resort office or the Board of Directors if they have any questions or concerns. She reminded owners that annual meeting minutes, condominium documents, board contact information, resort updates and other pertinent information can be found at www.hgvc.com/hurricanehouse.

BOARD OF DIRECTORS REPORT – John Klemmer

Mr. Klemmer thanked everyone for their patience and understanding while noisy projects, like installation of pavers, tree trimming, painting and stairwell repairs were going on. Exterior wood repair and exterior painting was completed last fall. These things have to be done and we can't get everything done in those two, short maintenance weeks in September. He noted that the Board approved putting pavers in the garages because the cement in the parking area was carrying a lot of fine particles and dirt into the units. We moved rather quickly on this project to reduce damage to the floors in the units. This also was the best time for the contractor to do the work.

Mr. Klemmer advised that the City worked with us to hook us up to the reclaimed water system for irrigation. They paid for half the installation and most of the plumbing. We're just in our first year, but already we're saving quite a bit of money. We'll see more savings as we get history.

FINANCIAL REPORT – E. J. Nees

In accordance with Florida statutes, an audit of the 2008 financial statements was

conducted. The Board of Directors engaged the firm of Myers, Brettholtz & Company, P.A. of Fort Myers, an independent certified public accounting firm, to prepare the audit. Mr. Steve Brettholtz met with the Board this morning to review the draft of the audit. A clean opinion was issued. An audit is not mailed to each owner but will be available in about three weeks upon request to the Resort Manager.

In 2008, total Operating revenues were \$622,566, total Operating expenses were \$611,511 resulting in an excess of revenues over expenses of \$11,055. The year started with a deficit of (41,499), and with the current surplus is down to a deficit of (30,444) at December 31, 2008. Reserve funds totaled \$209,579 at December 31, 2008, and by component: \$101,420 – Interior, \$14,707 – Roof, \$1,869 – Painting, \$43,021 – Paving and \$48,562 – Capital Improvements.

Reserve funds are in certificates of deposit with laddered maturities and were earning 5.6% at year end.

An owner asked how the deficit will be covered. Ms. Nees noted that the Board had assessed \$4,677 in the 2009 budget towards the deficit and hopes to make up some of the deficit this year. If not, they will have to budget for that in the next year's budget. The owner asked if money could be borrowed from reserves. Ms. Nees explained that reserves can't be used for operating expenses. The Association made it through the year because many of the owners paid their 2009 fees before the end of 2008.

INSURANCE REPORT – E.J. Nees

The Hilton Grand Vacations Company master property insurance program, which renewed June 1, 2008, provides coverage for 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 full replacement value coverage. Evidence of Property Insurance was included in the agenda packet distributed at this meeting. 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 landscaping, the pool, tennis courts, debris removal, code upgrades and for reimbursement of maintenance fees and taxes for an insurable loss with certain qualifications. 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. Named windstorm deductibles are 5% of the value at the time of loss. Your association also has a deductible buy down feature for named windstorm losses which reduces the deductible to \$100,000. In addition to property coverage, Hilton maintains for each Association insurance policies for general liability, terrorism and Directors & Officers coverage. Limits and deductibles are stated in the Certificate of Insurance included in the agenda packet distributed at this meeting.

RENTAL REPORT – E.J. Nees

Of the 82 weeks available for rent through Hilton Grand Vacations, 55 weeks were rented for an occupancy rate of 67%. The average nightly rate was \$253.99. Eighty-five percent of the owners who rented received rental proceeds for four or more nights, the amount that usually covers the maintenance fee. While the tourism industry in general experienced a significant slow down in the latter half of 2008, Hurricane House maintained a

good occupancy as well as seeing a slight increase in average rate. Unfortunately, the outlook for 2009 is not as optimistic. Except for certain peak weeks during the traditionally high season months of February, March, and April, demand is off significantly. Even with some stabilization in the economy, recovery will be slow and it could be a lean year or two for owners who are trying to rent their weeks.

RESALES REPORT – Lee Barnes Bogan

Lee reported that 20 weeks were sold through Grand Vacations Realty at Hurricane House in 2008 for a total sales volume of \$344,200. The average sales price was \$17,210. Year-to-date 2009, one flex week was sold for \$7,000. Lee estimated that approximately 9-11 of the 20 weeks sold last year were flex weeks.

2009 BUDGET – The 2009 budget was sent to each owner with the maintenance fee bill. A copy of the budget was also included in the agenda packet distributed today. Mr. Klemmer asked if there were any questions on the budget. An owner asked if we get the benefit if the insurance premiums come down because we buy our insurance through Hilton. Yes, if the premiums come down, there may be a surplus in that line item at the end of the year. ***MOTION was made and seconded to ratify the 2009 budget as presented by the Board of Directors.*** All voted in favor. **Motion carried.**

TELLER'S REPORT – Angela Talty

There were 338 unit weeks represented, both in person and by proxy, out of a possible 765 unit weeks, which represented 44% owner response.

WAIVER OF STATUTORY FUNDING OF RESERVES: There were 331 votes to waive statutory funding of reserves and 7 votes against waiving statutory funding of reserves; therefore the reserve funding will remain at the level approved in the 2009 budget.

ELECTION: Lee Barnes Bogan was the only candidate seeking to fill the one seat available on the Board of Directors, therefore no election was required. The current Board of Directors is: Lee Barnes Bogan, Bobbie Gardner and John Klemmer.

GENERAL DISCUSSION

An owner asked about the board term issue. Angela advised that if we get enough votes for approval, board members will have a two-year term, rather than three years as in the past. Florida condominium law changed recently, and the default right now is one year. If it doesn't pass, all three board members' term would be up every year. We would lose a lot of experience on the Board. The law changed due to the influence of whole ownership associations, but we have to comply. Mr. Klemmer doesn't think the State has given this much thought, and we need to fight this because they don't understand that one year is not sufficient time for timeshare boards to get up to speed. We have asked ARDA (American Resort Development Association) to step forward and fight this on behalf of the timeshare associations.

Mr. Klemmer noted that proxies are important and shouldn't be ignored. Everybody's opinions and votes are appreciated.

An owner asked if the maintenance fees have been paid in a timely fashion. Mr. Klemmer stated that they are coming in very nicely; close to typical collections. We haven't seen a major difference from past years. One flex week was deeded back to the Association. The week will be put up for closed bids to only our owners to cover our costs, delinquent fees and attorney fees. Someone will definitely benefit from this. The minimum bid will be \$4,500 plus the 2009 maintenance fees and closing costs. A notice will be

mailed out to the owners the first week of April. Bids will be due by May 8th.

An owner asked if electronic distribution to those who are willing to receive them has been investigated. HGVC has looked into it, but it is not available yet.

Mr. Klemmer noted that the Board is looking at other options to keep up with the times, but we also have to look at the pocketbook. We just can't do everything at this time.

Owners expressed appreciation to the Board for their service.

There being no further business, ***MOTION was made and seconded to adjourn.*** All voted in favor. ***Motion carried.***

Meeting adjourned at 2:15 p.m.