

**HURRICANE HOUSE
ANNUAL MEETING
February 10, 2010**

The 2010 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, Neil Hutchinson – Sr. Director of Association Management Services, 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 2009 Annual Meeting were sent to the owners in the newsletter during 2009, posted on the website www.hgvc.com/hurricanehouse 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 2009 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 HGVC’s regional staff and the Hurricane House Resort staff, Colleen, Cesar, Joan, Debbie and Lee for their diligence and hard-work this year.

Angela reported on projects completed in 2009:

- Pool and spa interiors were resurfaced in September.
- New décor includes 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.
- The front entrance sign was replaced with the same design as the old one and the lighting is now code compliant.
- Pavers were installed under each building in the parking areas. Pavers now extend to the end of the ramp in the parking area. There were 5½ pallets of pavers left over which were used to finish up the back walkways to the pool.
- Repairs have begun on the property boardwalk and should be completed by the end of this week.
- New plantings are being installed in front of the buildings, under the front entrance stairwells and at the front of the property.
- All non-native and invasive vegetation growing within the DNR zone was removed and replaced with plants approved by the City of Sanibel.

Projects scheduled for 2010 include:

- Replacement of the beach-side railings with a similar, but better product. We were compensated from the manufacturer for the defective material and will be able to repair the railings without costing more money.
- The pool and spa pavers and walkway pavers will be re-sanded and sealed in May.

- If something suitable can be found, dresser drawers will be installed in the closets in the upper unit guest bedrooms.
- The new in-house movie rental program will begin in March.

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

BOARD OF DIRECTORS REPORT – John Klemmer

Mr. Klemmer advised that he has been called several times by owners asked about assessments. He explained that the Board is definitely against special assessments . . . we want to stay within the budget. We have established long-term funding, so we're prepared for any major problem that may come up. He noted that after the hurricane we had enough money to do extra projects because of the money we had in reserves. Mr. Klemmer invited owners to contact him after the meeting if they have any questions.

Mr. Klemmer thanked the resort staff for keeping the resort looking so good.

FINANCIAL REPORT – E. J. Nees

In accordance with Florida statutes, an audit of the 2009 financial statements will be conducted. The Board of Directors engaged the firm of Myers, Brettholtz & Company, P.A. of Fort Myers, an independent certified public accounting firm, who will be preparing the audit. It is too early to get the results, but they are expected to be ready in April. An audit is not mailed to each owner, but will be available in April upon request to the Resort Manager's office.

INSURANCE REPORT – E.J. Nees

The Hilton Resorts Corporation master property insurance program, which renewed June 1, 2009, provides coverage on behalf of the Association in accordance with the management agreement. The program is a large layered structure, comprised of multiple insurance companies, with a \$200,000,000 blanket loss limit, per occurrence for any one loss or disaster. This limit more than adequately covers the full replacement value of the property. 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 real and personal property at the resort for "All Risks" including flood, earthquake, and named windstorm. The policy also includes an extension of coverage other expenses due to loss or damages, including for example: landscaping, pool(s), tennis courts, debris removal, code upgrades (ordinance and law), reimbursement of maintenance fees, as well as others. Deductibles under the policy are determined for any one occurrence of an insurable event and will 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 actual value per unit of insurance, subject to a minimum loss each occurrence. Named windstorm deductibles are 5% of the actual value per unit of insurance, subject to a minimum loss for each occurrence. Your association also participates in a deductible buy down feature for named windstorm losses which effectively reduces the deductible from the previously stated 5% per unit of insurance to \$100,000 per occurrence. Finally, in addition to the property coverage above, Hilton maintains for each Association insurance policies for general liability, terrorism, and Directors & Officers coverage. Limits are stated in the Certificate of Insurance included in the agenda packet distributed at this meeting.

In response to a question, it was noted that premiums increased less than \$5 per unit week.

RENTAL REPORT – E.J. Nees

Of the 65 weeks available for rent through Hilton Grand Vacations, 45 weeks were rented for an occupancy rate of 69%. The average nightly rate was \$248.89. Seventy-five percent of the owners who rented received rental proceeds for four or more nights, the amount that usually covers the maintenance fee. Transient rental business in Florida was severely impacted in 2009 by a myriad of factors not least among them, the tight economy. HGVC has engaged a new marketing company and for the first time in its history feels they have to offer promotions and discounts during the high season months of February, March and April just to help generate traffic to the resorts. At this meeting last year the forecast for a rebound in 2009 was dim, and initial reservations reflected that. HGVC is looking for a very slow recovery which may take several years to accomplish.

An owner asked if a lawsuit against RCI had anything to do with the HGVC's change of their rental marketing firm. Mr. Hutchinson stated that the change was a function of putting together a better program. The RCI lawsuit doesn't have anything to do with the way HGVC's rental program works.

RESALES REPORT – Lee Barnes Bogan

Lee reported that 26 weeks were sold through Grand Vacations Realty at Hurricane House in 2009 for a total sales volume of \$238,600. Sales prices ranged from \$5,000 to \$61,500 for a week 11 unit. The average sales price was \$9,177. The average was lower due to some flex week owners selling at a lower price due to their financial situations. The highest sales price for a flex week was \$8,800. There have been no sales at Hurricane House yet in 2010.

2010 BUDGET – The 2010 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. ***MOTION was made and seconded to ratify the 2010 budget at \$1,043 per unit week as presented by the Board of Directors.*** All voted in favor. **Motion carried.**

DISCUSSION FROM THE FLOOR – An owner said he was shocked when he received the real estate tax assessments for his 5 weeks. His taxes were up 72%. He did a comparison using week 3 units at other resorts . . . at Hurricane House, taxes are \$300/week, \$173/week at Tortuga, \$257 at Sanibel Cottages and \$145 at Shell Island Beach Club. He stated that the discrepancy seems odd and doesn't know what else can be done about it. Angela explained that the assessed value is based on all recorded sales at Hurricane House. For the time period of the assessment, there were 4 sales during weeks 1 – 6; 2 at \$10,000 and 2 at \$40,000. Sales prices for weeks 7-?? ranged from \$23,000 – \$61,500. The high sales prices make a new market value. If there are no sales in a week, the County looks to the “neighborhood” for comparable sales. The assessed value was \$5,527,140 in 2009. In 2008 it was \$5,666,010. The County applies a 50% discount to the assessed value. HGVC's managers met with the County again last year to try to get the weekly allocations as equitable as possible.

An owner asked what happened to the second hammock. Angela noted that it was removed because the ground was not stable.

Lee thanked the owners in house for putting together a wonderful recipe book. They did a phenomenal job on it.

An owner stated that the grounds look beautiful, the apartments look great, she loves the paver paths and is pleased with the way everything looks. She thanked the Board for their hard work, for keeping the fees as low as possible and still maintaining the high standards of this place. She noted that owners want the standards to remain as high as possible, but with the operating fees continuing to rise, it does present a problem for many people. Concern was expressed for the owners of the flex weeks that we could conceivably get to the point where we lose those people if the rates get too high. Owners in attendance stated that they didn't want to see that happen. Angela replied that the Board discussed this during their budget meeting, and it is definitely a consideration. The Board keeps the owners of all weeks in mind when setting the budget, and was able to keep the increase to \$3 for 2010.

Lee Bogan stated that we were fortunate not to have an assessment at Hurricane House after the hurricane due to the Hilton insurance. Mr. Klemmer added that it's extremely important to build up reserves, not so quickly to make the assessment too high, but to put enough money away to do other things that were not covered by insurance. Owners expressed appreciation to the Board for doing a wonderful job.

Owners gave Colleen a round of applause, noting that she is the "front line person at the desk".

TELLER'S REPORT – Angela Talty

There were 356 unit weeks represented, both in person and by proxy, out of a possible 765 unit weeks, which represented 47% owner response. Angela noted that this was the first year that owners had the option to vote on line, and Hurricane House was the first association managed by HGVC to take advantage of the option. She was pleased to report that 51% of the votes were cast on-line! In the future people will have the option to receive newsletters and other communications electronically. This will save money on printing and postage costs. Mr. Klemmer added that the Board is always looking for ways to decrease expenses and be more efficient.

WAIVER OF STATUTORY FUNDING OF RESERVES: There were 273 votes to waive statutory funding of reserves and 5 votes against waiving statutory funding of reserves; therefore the reserve funding will remain at the level approved in the 2010 budget.

ELECTION: There were four candidates seeking to fill the one seat available on the Board of Directors. The candidate who received the highest number of votes was Bobbie Gardner, who was elected for a two-year term. The current Board of Directors is: Lee Barnes Bogan, Bobbie Gardner and John Klemmer.

Angela congratulated Bobbie on her re-election and thanked the owners for their participation in the election and the meeting.

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

Meeting adjourned at 2:20 p.m.