

THE SANIBEL COTTAGES
2009 ANNUAL MEETING
February 9, 2009

The 2009 Annual Meeting was called to order at 1:30 p.m. by President Barbara Garratt, poolside at Sanibel Cottages, Sanibel Island, Florida. All Board members were in attendance: Barbara Garratt, Mike Keller and Jim Saxon. Attending from Hilton Grand Vacations Company (HGVC) were Angela B. Talty – Resort Manager, Martha Baez, Assistant to the Resort Manager, Randy Piatt – Vice President of Resort Operations, E. J. Nees – Director of Resort Operations - Sanibel/Captiva, Lee Barnes Bogan – Vacation Counselor, and Cindy Glasenapp – Administrative Assistant and acting Recording Secretary for this meeting.

Mrs. Garratt welcomed the owners to the meeting and introduced the Board members and HGVC staff. A sign-in sheet was circulated for all owners present to sign in lieu of a roll call. There was a call for outstanding proxies. A quorum was established.

APPROVAL – PREVIOUS MINUTES – The minutes of the 2008 Annual Meeting were published in the newsletter during 2008 and were also included in the agenda packet distributed at the meeting. *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 Martha, Lee, Kevin, Tom, Debbie and Joan for working very hard this past year, and the passion and commitment to making Sanibel Cottages so wonderful. She also thanked the Board of Directors, Barbara, Mike and Jim, for their phenomenal hard work and persistence and the fact that they are an extremely pro-active Board.

Angela reported on projects completed in 2008: New front door entrance locks and doorbells were installed. The doorbells are placed higher than the old ones for easier movement of the key cards. Beautification projects have been going on, adding native plants throughout the property and around the office to add more color and lushness to the resort grounds. Almost 30 orchids have been donated by resort owners in memory of loved ones and hung throughout the property (location maps are available in the office). The front entrance sign has been replaced.

New living room TVs have been put into three buildings so far, and it is hoped that they will be in the rest of the buildings within the month. The new TVs are 37” LG TVs. Televisions for the master and guest bedrooms will be replaced on an as-needed basis.

BOARD OF DIRECTORS REPORT – Barbara Garratt

Barbara thanked the owners for their support and stated that it has been a pleasure to serve the owners throughout the years. She advised that the 2009 projects will include new washers and dryers, new dining room chandeliers, and the guest bathrooms will be refurbished. Guest bathroom refurbishment will include: new raised cabinets and countertops, new artwork, new shower curtains, and a curved shower curtain rod. The Board is looking at painting the guest bathroom a color to give it pizzazz. New comfort-height, water-saving toilets will be installed in the master and guest bathrooms.

Barbara advised that the master bathrooms will be refurbished in 2010. With the economy the way it is, the Board is watching the budget closely and choosing to do the things that are really needed. The guest bathrooms are in the most need of refurbishment.

An owner asked why the chandeliers in the dining area were being changed. Barbara noted that they were rusting and needed updating. It's the same with the washers and dryers.

FINANCIAL REPORT – E. J. Nees

In accordance with Florida statutes, an audit of the 2008 financial statements is being conducted. The Board of Directors has engaged the firm of Myers, Brettholtz & Company, P.A. of Fort Myers, an independent certified public accounting firm, to prepare the audit. They are currently doing field work, but it is too early for the audit to be completed. It should be completed within six weeks. An audit will not be mailed to each owner but will be available by contacting the Resort Manager. The highlights will be added as an addendum to these minutes.

INSURANCE REPORT – Randy Piatt

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. This deductible is shared with Casa Ybel FGH, Casa Ybel IJK and Sanibel Cottages based on the percentage of damage at each resort. 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.

Insurance premiums have not gone down in spite of the fact that we've not had any hurricanes in our area. Insurance companies rate locations on the Gulf of Mexico very high. Sanibel Cottages gets the benefit of being in a package where the risk is spread over the total product to keep the premium down. The property policy renews in June, and HGVC doesn't anticipate a decrease, but the Board has built a little increase into the budget hoping to cover it. The good news is that if anything happens, we know we have the coverage and teams in place to put the property back in order as quickly as possible.

An owner asked if any of the insurance companies handling our insurance are getting out of Florida, like they are for residential insurance. Randy replied that most of the carriers who handle HGVC's insurance are offshore, primarily the UK, Bahamas and Switzerland, because of the layered, umbrella policy. Asked if there was any concern about Lexington, an AIG company, Randy indicated that there is no risk as far as Lexington is concerned; they are a stable company and their assets are segregated from AIG.

In response to a question about Sanibel Cottages' claim for Hurricane Charley, Randy estimated that it about \$4 million. The HGVC's total insurance claim for the hurricanes in 2004 for Sanibel, Captiva, Fort Myers Beach and Hutchinson Island was \$45 million.

RESALES UPDATE – Lee Barnes Bogan

Lee reported that 39 weeks were sold through Grand Vacations Realty in 2008 for a total volume of \$1,359,400, an average sales price of \$34,856. Year-to-date 2009, 5 weeks have been sold at a volume of \$295,500, an average sales price of \$59,100 so far. The listing price range is from \$10,000 to \$60,000. Information regarding what is up for resale is available upon request.

A question was asked about how the resale values were set. Lee responded that the sales manager sets the minimum listing prices to try to keep the values as high as possible. Grand Vacations Realty's commission is 25%.

An owner asked if any property was sold this year below what the price was for a similar time last year. Lee replied, "Not here."

An owner asked if there were any weeks in foreclosure. Barbara answered that the Association owns one week that was just deeded back, and it will be offered for sale to all owners by closed bids. A notice of the closed bid sale will be sent out to all owners in early April.

The collection procedure was discussed. Maintenance fees are due upon receipt. A \$25 late fee is imposed on February 15th; then interest is charged on unpaid balances monthly thereafter at 18%. Approximately 95% of the maintenance fees at Sanibel Cottages are collected by February. Any accounts not paid by May go to a collection agency for two months, then to an attorney in July. It generally takes 6 – 9 months after that to get a week back.

An owner asked if fees could be paid early. Owners can pay early but we don't know what the fee is going to be for the next year until the fall. There's no discount for paying early.

RENTAL UPDATE – E. J. Nees

Ms. Nees reported that in 2008, 73% of the nights available through HGVC's rental program at Sanibel Cottages were rented. Of the weeks rented, 92.5% received rent on 4 or more nights. The average nightly rate was \$309.87, an increase over 2008's average nightly rate of \$281.78.

While the tourism industry in general experienced a significant slow down in the latter half of 2008, Sanibel Cottages maintained a good occupancy as well as seeing a significant 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.

2009 BUDGET – The 2009 budget was sent to each owner with the maintenance fee bill in December. A copy of the budget was also included in the agenda packet distributed today. There being no questions on the budget, ***MOTION was made and seconded to ratify the 2009 budget as presented by the Board of Directors.*** All voted in favor. **Motion carried.**

DISCUSSION FROM THE FLOOR:

Owners thanked the Board and the staff for their efforts, stating that “You do a great job of maintaining our property.”

An owner asked the Board to please consider paving the driveway area for health and cleanliness issues and to upgrade our beautiful resort. She didn’t think pavers would spoil the charm of the resort. She also asked the Board to consider putting a chair and a little table on the balcony off the guest bedroom in the units that have one.

Another owner asked if the concern with pavers is more aesthetic than cost. Barbara explained that it was both. The Board does not want to have a special assessment. Barbara stated that the Board has tried very hard not to increase the maintenance fees. Unfortunately insurance went up; that’s why the Board has tried to curtail their spending. The Board is aware that a lot of owners would like to see a lot more done, but it’s just impossible to do everything.

An owner stated that the tennis courts are great!

An owner asked if we were going to keep the “skipping” stones. The Board answered affirmably.

An owner asked if property taxes went down. Angela explained they had stayed about the same, and that real estate taxes are based on what the previous sales of the weeks were. HGVC has met with Lee County to try to get a better allocation for the percentage each of the weeks gets of the total tax bill. The County only allows 5 different allocations.

TELLER’S REPORT – Martha Baez

There were 733 unit weeks represented, both in person and by proxy, out of a possible 1,400 unit weeks, which represented 52% owner response.

WAIVER OF STATUTORY FUNDING OF RESERVES: There were 696 votes to waive statutory funding of reserves and 32 votes not to waive statutory funding of reserves. Statutory funding requirements were waived, therefore the reserve funding will remain at the level approved in the 2009 budget.

CONDOMINIUM DOCUMENT REVISIONS: There were 714 votes (51%) to approve the proposed amendments to the condominium documents, and 7 votes opposed. The proposed amendments were approved, therefore, beginning with this 2009 Annual Meeting, board member terms will be for a two-year period.

ELECTION: There were 3 candidates seeking election to fill the one seat available on the Board of Directors. The candidate receiving the highest number of votes was Barbara Garratt, who was elected to serve a two-year term. The current Board of Directors is: Barbara Garratt, Mike Keller and Jim Saxon.

Congratulations were extended to Barbara on her election, and the owners were thanked for their participation.

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

Meeting adjourned at 2:06 p.m.