



October 2009

Dear Sanibel Cottages Owner,

It is our pleasure to serve you and ensure that your resort remains an extraordinary setting for your vacation getaways.

In recent months, several exciting property enhancements have been made, including the installation of new LCD high-definition TVs in the living rooms of each unit. We also completed the refurbishment of the guest bathrooms, a project that included installation of new lighting, comfort-height toilets, raised cabinets and countertops, medicine cabinets, towel fixtures, faucets, shower trim kits, shower curtains and artwork.

In addition, the resort completed repairs to the beachside stairwells in buildings 6 and 7 and removed all non-native and evasive plants in the DNR (Department of Natural Resources) setback area. Other improvements include the addition of new landscaping around the shuffleboard court area, and the planting of beautiful orchids and native plants across the resort property.

We appreciate the opportunity to be part of your vacation experiences.

#### **2010 Billing / Budget Impacts**

Enclosed is the statement for your 2010 maintenance assessment and real estate taxes. The assessment portion funds the day-to-day operations of your resort, with the reserves portion funding future improvements to your property, including replacement of furniture and roofing, painting and other enhancements as needed.

Many of the key factors that contribute to a change in maintenance fees for 2010 are largely beyond the control of the association, such as real estate taxes, insurance premiums and utility costs. In addition, the association has seen an increase in uncollectible accounts and a decrease in interest earned on operating funds.

Please keep in mind that your association's Board of Directors and Hilton Grand Vacations work carefully to establish your association's budget, addressing important needs for maintaining and enhancing your property while managing your annual maintenance fee. For more information about your billing statement – including Frequently Asked Questions – please review the enclosed brochure, "Understanding Your Vacation Ownership Statement."

**Prompt payment of the enclosed bill – due on January 1, 2010 – is appreciated.** Payment on or before that date will ensure sufficient flow of funds to support ongoing operations at your property. Remember that the postage date has no bearing on the application of funds to your account – allow at least 10 business days after mailing your payment for the payment to be posted in our system.

**Please be aware that your account will be considered past due and subject to late fees and related charges after January 1, 2010, and that any late fees and related charges will not be waived, in accordance with policies established by your association's governing documents and/or Board of Directors and/or applicable law.**

#### **Payment Options**

**By Check** – Paying by check is the most cost-effective payment method for your association. Please make your check payable to the name of your owners association, include your account number on the check and remit it with your payment stub. If you own at more than one property, please prepare a separate check for each owners association to prevent co-mingling of funds among associations.

**By Credit Card Online** – If you are a Hilton Grand Vacations Club Member, log in at hgvclub.com using your Club Member number and password, and click “Pay Fees & Taxes” under the “My Ownership” tab. If you’ve never logged in before, visit the “Create an Account” section on the website’s sign-in page to create your password and access your account. ***If you are not a Club Member***, simply go to hgvclub.com and click the online payment button for non-members.

All payments must be payable in U.S. funds.

### **Board of Directors**

At the last Annual Owners Meeting, the ownership elected Barbara Garratt to a seat on the Board of Directors. We are pleased to have her as a Board Member and look forward to her many contributions to your owners association. We also extend our thanks to the rest of your Board Members – James Saxon and Michael Keller – for their continued support and leadership.

At the 2010 Annual Owners Meeting, one (1) candidate will be elected to the Board of Directors. If you are interested in pursuing candidacy, please complete the enclosed Board of Directors Candidate Form and return it by January 5, 2010.

### **ARDA – Timeshare’s First Line of Defense**

As the vacation ownership industry’s trade association, the American Resort Development Association (ARDA) promotes a “timeshare-friendly” legislative agenda at the local, state and federal levels. On behalf of ARDA, we would like to thank those who have supported these efforts by making a voluntary \$3 annual contribution to the ARDA-Resort Owners Coalition.

ARDA has been successful at protecting timeshare Owners from excess federal taxes (on prepaid assessments, surplus assessments and capital reserve funds) as well as from excess resort-use taxes. ARDA has also been instrumental in preserving the second home exemption for timeshare Owners. Your Board of Directors has made the decision to include a contribution to ARDA on your billing statement and encourages you again to make this voluntary contribution of \$3 when paying your 2010 assessment. To learn more about ARDA, visit arda.org.

If you have any questions about your 2010 maintenance fees and taxes, please feel free to contact me by phone at (239) 472-1868 or by email at atalty@hgvc.com.

On behalf of the staff at Sanibel Cottages, we look forward to welcoming you back to the familiar comfort of your home away from home.

Warmest regards,

A handwritten signature in black ink that reads "Angela B. Talty". The signature is written in a cursive style with a large, stylized initial 'A'.

Angela B. Talty  
Resort Manager

**THE SANIBEL COTTAGES CONDOMINIUM ASSOCIATION, INC**  
**ANNUAL BUDGET FOR THE PERIOD**  
**JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**

Description	1,400	2010	2010	2009	2009	2009
	unit/weeks	Annual Budget	Per Unit/ Week	Per Unit/ Week	Annual Budget	Proj. Actuals For Year
<b>REVENUE</b>						
Association Fees		1,067,511	762.51	749.59	1,049,429	1,049,426
Late Fee Income		3,000	2.14	2.14	3,000	3,946
NSF Income		0	0.00	0.00	0	140
Interest Income		100	0.07	6.21	8,700	586
Dividend Income		0	0.00	1.32	1,850	29
Long Distance		0	0.00	0.00	0	22
Sales Rent Income		5,280	3.77	3.77	5,280	5,280
Week 53 Income		7,000	5.00	0.00	0	0
Movie Income		384	0.27	0.00	0	465
Other Revenue		0	0.00	0.00	0	250
<b>TOTAL OPERATING REVENUE</b>		<b>1,083,275</b>	<b>773.76</b>	<b>763.04</b>	<b>1,068,259</b>	<b>1,060,143</b>
<b>ADMINISTRATIVE</b>						
Annual Audit		6,396	4.57	4.43	6,204	6,202
Other Administrative Expenses		28,780	20.56	22.50	31,491	28,362
Postage, Printing, Newsletter		8,520	6.09	5.72	8,005	8,322
Management Fees		56,124	40.09	40.09	56,124	56,124
Division Fees		2,800	2.00	2.00	2,800	2,800
Financial Services Fees		20,064	14.33	13.84	19,380	19,380
Board Reimbursement		4,500	3.21	3.21	4,500	3,954
<b>Total</b>		<b>127,184</b>	<b>90.85</b>	<b>91.79</b>	<b>128,504</b>	<b>125,144</b>
<b>OPERATING EXPENSE</b>						
Office, Desk		140,597	100.43	92.26	129,169	133,248
Housekeeping, Laundry, Supplies		173,520	123.94	122.61	171,636	168,748
Grounds & Landscaping		61,910	44.22	49.20	68,886	73,564
Pool & Spa		12,000	8.57	8.57	12,000	17,114
Recreation		0	0.00	0.00	0	575
<b>Total</b>		<b>388,027</b>	<b>277.16</b>	<b>272.64</b>	<b>381,691</b>	<b>393,248</b>
<b>UTILITIES</b>						
Electric		63,500	45.36	45.35	63,500	63,399
Water, Sewer, Gas		53,060	37.90	37.80	52,916	51,932
Waste Disposal		16,164	11.55	11.36	15,900	16,163
Telephone		10,800	7.71	8.57	12,000	9,800
Cable Television		23,898	17.07	15.62	21,864	22,555
<b>Total</b>		<b>167,422</b>	<b>119.59</b>	<b>118.70</b>	<b>166,180</b>	<b>163,848</b>
<b>BUILDING</b>						
Maintenance - Service, Equipment, Supplies		148,239	105.89	81.22	113,701	139,036
Building & Equipment Contracts		26,394	18.84	37.17	52,044	25,931
Elevator Contracts		1,836	1.31	1.24	1,740	2,167
<b>Total</b>		<b>176,469</b>	<b>126.04</b>	<b>119.63</b>	<b>167,485</b>	<b>167,135</b>
<b>INSURANCE &amp; TAXES</b>						
General Insurance		221,673	158.33	150.92	211,298	208,860
Income Tax		2,500	1.79	9.36	13,100	5,869
Taxes Upon Timeshare Property (Ad Valorem Taxes)		n/a	n/a	n/a	n/a	n/a
Taxes Upon Leased Areas		n/a	n/a	n/a	n/a	n/a
<b>Total</b>		<b>224,173</b>	<b>160.12</b>	<b>160.28</b>	<b>224,398</b>	<b>214,729</b>
<b>SALE OF ASSOCIATION WEEKS</b>						
Sale of Association Weeks		0	0.00	0.00	0	(12,780)
Cost of Sales		0	0.00	0.00	0	4,159
<b>Total</b>		<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>(8,621)</b>
<b>OPERATING EXPENSE TOTAL</b>		<b>1,083,275</b>	<b>773.76</b>	<b>763.04</b>	<b>1,068,259</b>	<b>1,055,484</b>
<b>OPER. PROFIT/(LOSS)</b>		<b>0</b>	<b>0.00</b>	<b>(0.00)</b>	<b>(0)</b>	<b>4,660</b>

1 Ad Valorem Taxes on individual weeks are billed by the Lee County Property Appraiser's office based on the relative value of the unit week and therefore, are not reflected in the above operating budget.

	Statutory Reserve Funding					With Owner Waiver of Statutory Reserve Funding	
	2010 Annual Budget	2010 Per Unit/ Week	2009 Per Unit/ Week	2009 Annual Budget	2009 Proj. Actuals For Year	2010 Annual Budget	2010 Per Unit/ Week
<b>RESERVE REVENUE</b>	563,070	402.19	272.41	381,365	381,374	415,086	296.49
<b>RESERVE EXPENSES</b>							
<b>Capital Reserves:</b>							
Interior	448,333	320.23	203.94	285,516	285,523	306,911	219.22
Roof	14,122	10.09	5.88	8,228	8,228	15,228	10.88
Paving	0	0.00	0.00	0	0	0	0.00
Recreation	0	0.00	0.00	0	0	0	0.00
Common Area	0	0.00	0.00	0	0	0	0.00
Capital Improvements	21,544	15.39	7.97	11,154	11,154	16,480	11.77
<b>Total</b>	<b>483,999</b>	<b>345.71</b>	<b>217.79</b>	<b>304,898</b>	<b>304,905</b>	<b>338,619</b>	<b>241.87</b>
<b>Painting Reserve</b>	79,071	56.48	54.62	76,467	76,469	76,467	54.62
<b>Total</b>	<b>79,071</b>	<b>56.48</b>	<b>54.62</b>	<b>76,467</b>	<b>76,469</b>	<b>76,467</b>	<b>54.62</b>
<b>RESERVE EXPENSE TOTAL</b>	<b>563,070</b>	<b>402.19</b>	<b>272.41</b>	<b>381,365</b>	<b>381,374</b>	<b>415,086</b>	<b>296.49</b>
<b>RESERVE PROFIT/(LOSS)</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>

**THE SANIBEL COTTAGES CONDOMINIUM ASSOCIATION, INC**  
**ANNUAL BUDGET FOR THE PERIOD**  
**JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**

Summary	Statutory Reserve Funding		2009 Per Unit/ Week	2009 Annual Budget	2009 Proj. Actuals For Year	With Owner Waiver of Statutory Reserve Funding	
	2010 Annual Budget	2010 Per Unit/ Week				2010 Annual Budget	2010 Per Unit/ Week
<b>OPERATING FEE</b>	1,067,511	762.51	749.59	1,049,429	1,049,426	1,067,511	762.51
<b>CAPITAL RESERVE</b>	483,999	345.71	217.79	304,898	304,905	338,619	241.87
<b>PAINTING RESERVE</b>	79,071	56.48	54.62	76,467	76,469	76,467	54.62
<b>NET BEFORE CREDITS</b>	1,630,581	1,164.70	1,022.00	1,430,794	1,430,800	1,482,597	1,059.00
<b>TOTAL AMOUNT BILLED</b>	1,630,581	1,164.70	1,022.00	1,430,794	1,430,800	1,482,597	1,059.00

**THE SANIBEL COTTAGES CONDOMINIUM ASSOCIATION, INC**  
**RESERVE ANALYSIS FOR THE PERIOD**  
**JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**

1400 unit/weeks Replacement Fund	Average Estimated Life (in years)	Average Estimated Remaining Life (in years)	Estimated Replacement Cost (1400 units)	2010 Statutory Reserve Funding	Estimated Fund Balance As of 1/1/2010	2010 Proposed Reserve/Assmt. Funding	2010 Projected Expenses	Estimated Fund Balance As of 12/31/2010
Interior	11.63	4.72	2,529,248	448,333	414,600	306,911	11,200	710,311
Roof	23.97	11.51	197,200	14,122	34,600	15,228	0	49,828
Painting	5.76	3.53	440,800	79,071	161,950	76,467	0	238,417
Paving	0.00	0.00	0	0	0	0	0	0
Recreation	0.00	0.00	0	0	0	0	0	0
Common Area	0.00	0.00	0	0	0	0	0	0
Capital Improvements	8.19	4.44	100,600	21,544	4,950	16,480	15,500	5,930
<b>TOTAL</b>			<b>3,267,848</b>	<b>563,070</b>	<b>616,100</b>	<b>415,086</b>	<b>26,700</b>	<b>1,004,486</b>

	2010 Statutory Reserve Funding	2010 Proposed Reserve Funding	** The State of Florida mandates that condominium associations prepare calculations to fully fund reserves. The Law also provides the reserve requirement may be waived or reduced, allowing the unit owners to put less money into the reserve accounts. To meet fully funded requirements for Statutory Reserves, the resulting annual maintenance fee would be \$1,164.70. The Board of Directors recommends a vote in favor of waiving the full funding requirements for Statutory Reserves at the 2009 annual meeting, thereby establishing the maintenance fee at \$1,059.00 for the 2010 budget year.
Operating Fee	\$762.51	\$762.51	
Capital Reserve	\$345.71	\$241.87	
Painting Reserve	\$56.48	\$54.62	
Special Assessment	\$0.00	\$0.00	
Total Amount Billed	\$1,164.70	\$1,059.00	
Painting Reserve Refund	\$0.00	\$0.00	
Operating Surplus Refund	\$0.00	\$0.00	
<b>TOTAL AMOUNT BILLED</b>	<b>\$1,164.70</b>	<b>\$1,059.00</b>	

**NOTE:**  
There may be some items that may require future replacement and are not reserved for, i.e.: replacement of plumbing, railings, electrical wiring, etcetera. These types of items will need to be paid from operating funds or will require a special assessment.

The components' actual replacement costs and useful lives may vary from the estimated amounts. If additional funds are needed, the Association has the right, subject to Board approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

There are 1400 periods of 7-day annual use availability that exists within the timeshare plan for which annual fees are required to be paid to the Division of Florida Land Sales, Condominiums and Mobile Homes, Bureau of Timeshare, in accordance with Section 721.27, Florida Statutes.