

**SEAWATCH ON THE BEACH
BOARD OF DIRECTORS MEETING
MONDAY, APRIL 30, 2007**

The meeting was called to order at 9:00 a.m. by President, Steve Hoffman at Seawatch on the Beach, Ft. Myers, Florida. Board members in attendance were: Mike Dammeyer, Steve Hoffman, Dave Kaiser, Harold Lund and Tim Pellerin. Attending from Hilton Grand Vacations Company (HGVC) were: Michele Jenkins – Resort Manager, Don Fandrey – Assistant to the Resort Manager, Braid Valentine – Maintenance Supervisor, Ada Grzwyna – Regional Director Resort Operations, Lael Kilpatrick – Regional Manager Resort Operations and Riki Martin – Administrative Assistant and Acting Recording Secretary for this meeting. Owners in attendance were Lidia Balcerzak, Lauren Carey, Mark Carey and Becky Kaiser.

APPROVAL OF PREVIOUS MINUTES

MOTION was made by Mr. Dammeyer and seconded by Mr. Kaiser to approve the minutes of the budget meeting held on November 2 & 3, 2006. Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. **Motion carried unanimously.**

OLD BUSINESS

Salt Chlorine Generator

Braid joined the meeting to discuss the salt chlorine generator. He also discussed the benefits of Geo Thermo Pool/Spa Heating. \$21,000 was spent on propane gas in 2006 mostly to heat the pool and spa. He also suggested changing to a tankless hot water heater. Seawatch could be eligible for an electric tax break in 2007 approximately \$72,000 for the building. The Board was in agreement to have Michele and Braid provide cost and proposals for the fall meeting. Braid left the meeting at this time.

Interior Doors

Michele presented 3 bids for the interior doors. **MOTION was made by Mr. Kaiser and seconded by Mr. Pellerin to accept the proposal from Walker Contracting Group for door replacement. Change out the hardware on all the units.** Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. **Motion carried unanimously.**

Auditor Report

Mr. Brettholtz joined the meeting at 10:15 a.m.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seawatch-on-the Beach Condominium Association, Inc. as of December 31, 2006, and the results of its operations and its cash flow for the year ending in conformity with accounting principles generally accepted in the United States of America.

Mr. Brettholtz advised the American Institute of Certified Public Accountants (AICPA) has initiated 12 new standards which will affect next year's audit. Sarbanes Oxley legislation standards currently affect how public companies are audited and will affect non-public companies next year. There will be a different way of auditing from the past, a lot in the area of internal controls and technology, causing additional work. Auditing will be on a risk assessment/fraud basis. The auditor cannot be part of an entity's internal control. The end result, he believes, will be better audits, but it's going to be a struggle. In the past the Association has had a three-year audit contract with a 3% increase, with the price locked in for those three years. He anticipates that the 2007 audit engagement contract will probably increase by 15-20%, and then he would propose locking it in for another three years. Mr. Brettholtz stated that this increase is low because the Association's management entity already has the controls established. Some "mom and pop" businesses and some other association don't have the controls and could be facing a 100% increase. Preliminary work is done in November and December at HGVC's office in Orlando. The Association does not get charged for travel time or hotels because the accounting office is in Florida. Doing the preliminary work allows them to address a problem earlier than waiting until March or April.

MOTION was made by Mr. Pellerin and seconded by Mr. Dammeyer to approve the December 31, 2006 audit as presented. Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. **Motion carried unanimously.**

Mr. Brettholtz left the meeting at 10:45 a.m.

Insurance Update

HGVC and the properties it manages has been the beneficiary of the buying power of Hilton, but HGVC has reached a threshold, and there's not going to be a lot of advantages of getting any bigger. HGVC has \$1 billion in real estate values now, and has three project under construction, each of which will be worth \$1 billion each, and a fourth project worth ¾ billion dollars. The timeshare resorts have some unique needs that the hotel side of Hilton doesn't have; i.e. reimbursement of maintenance fees. Beach-front properties are under scrutiny and currently are not getting the benefit of things like adding impact-resistant windows. Mr. Piatt was part of an Executive Committee charged to look at the insurance program and see what HGVC could do on its own for property insurance only. HGVC hired their own broker, AON, who is second only to Marsh in size as far as brokerage capacity, to market the timeshare product and got modeling to see what insurance premiums could be. In 2006-2007, premiums were \$9.7 million in total. AON's modeling anticipated premiums at \$5.5 and \$ 7 million significantly lower than last year. HGVC hasn't bought the insurance yet, but anticipates they will be able to buy it for a lot less than last year, and getting a rating on each individual property rather than blending the associations. Specific language is being written into the policy to cover maintenance fees. The same carriers as in the past will probably be used, Lexington,

ACE, etc. The committee will be meeting with the underwriters later this month to try to get an idea of what the premiums will be.

Summary of Accounts

	Number of Accounts	Outstanding Balance
Lien Action	0	\$
Foreclosure Action	2	\$10,229.54
Other Legal Action	0	\$
Legal Action on Hold	0	\$
Association Owned Weeks	<u>7</u>	<u>\$25,209.12</u>
Total	7	\$35,438.66
Outstanding 2007 HOA Fees	57	\$43,834.20

Resale Department Discussion

MOTION was made by Mr. Dammeyer and seconded by Mr. Kaiser to authorize management to come to an agreement on the price to sell the association owned weeks. Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. **Motion carried unanimously.**

Michele has spoken to Linda regarding scheduled hours of operation. Linda's hours are now 10:00 a.m. to 5:00 p.m. Management will monitor.

Board Member Obligations

Mr. Hoffman stated Mr. Lund did not respond to any emails. Mr. Lund said he did not receive any emails and has a problem with his hard drive. He does not respond to cell phone calls, post office mail etc. Michele sent the quarterly book with December financials and stated to let her know if you need accommodations. He did not respond to this request. No one from either the Board or Directors or Management has heard from Harold from November 3, 2006 until April 24, 2007. On April 24 he asked for accommodations or this meeting. **MOTION was made by Mr. Pellerin and seconded by Mr. Kaiser to send out a recall from this Board on Mr. Lund.** Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted no and Mr. Pellerin voted aye. **Motion carried.** The Board will send out a letter to the owners stating he is not performing his duty to the owners.

Mr. Lund stated he will not resign today and that he will resign at the next meeting if the Board feels he doesn't participate properly.

Other Old Business

The Board reviewed the 3 year project list

They feel the lobby is dark and needs new lighting. Also tiling the front part of the lobby entrance. Management will present proposals at the budget meeting

NEW BUSINESS

Florida Timeshare Association

No action taken

Parking Lot with Tennis Courts Above

Mr. Kaiser stated it is not feasible to do at this time. He suggested parking lot pavers.

Recreation Position

The results of the survey for recreation position were 68 votes for full time and 330 votes for part time. It was the recommendation of HGVC and the resort manager to continue the recreation on a part time basis and sharing the employee between the front desk and recreation. The feedback from the guests and owners at the resort has overwhelmingly positive, not to mention the change in the overall staff. Gail's salary will be reviewed at the budget meeting. Currently her salary is coming out of recreation.

Elevator Cab

The license posted in the elevator has expired. Michele is waiting for the new license but Seawatch is current with the state.

MOTION was made by Mr. Pellerin and seconded by Mr. Kaiser to accept the proposal from R. G. Reynolds, Inc. for elevators with additional work as discussed not to exceed \$9,000. Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. Motion carried unanimously.

Association Investment Policy

MOTION was made by Mr. Dammeyer and seconded by Mr. Kaiser to accept the revises Association investment policy as presented. Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. Motion carried unanimously.

Other New Business

Mr. Hoffman asked why it took so long for the SandScript to be sent out. Michele stated that the newsletter has to go to corporate for approve of the information and there is also a new system for requesting mailing labels.

MOTION was made by Mr. Pellerin and seconded by Mr. Kaiser to increase the fee for listing a trade in the newsletter from \$5.00 to \$10.00 Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. Motion carried unanimously.

GENERAL DISCUSSION

Mr. Lund stated if he doesn't satisfy the Board by the next meeting he will step down. He feels that he doesn't get the email he can't respond. He will set up an account with Fed Ex mail box if the board wishes. He doesn't feel the Board needs to take action or do a recall at this time.

ADJOURNMENT

MOTION was made by Mr. Kaiser and seconded by Mr. Dammeyer to adjourn the meeting. Mr. Dammeyer voted aye, Mr. Hoffman voted aye, Mr. Kaiser voted aye, Mr. Lund voted aye and Mr. Pellerin voted aye. **Motion carried unanimously.**

Meeting Adjourned at 12:45 p.m.