



October 2008

Dear Surf Club Owner,

As we near the end of another terrific year at your resort, we are grateful for the opportunity to continue serving you.

In recent months, several exciting property enhancements have been made, including the installation of new mattresses in the guest bedrooms; a cosmetic update to the guest bathrooms; repairs to the beach boardwalk; installation of a fence at the south end of the property; seal coating of the parking lot; and the opening of your new fitness room.

We value the privilege of serving you and the role we play in making your vacations fun, relaxing and unforgettable.

2009 Billing / Budget Impacts

Enclosed is the statement for your 2009 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.

Just as higher fuel costs and other rising costs have affected us in our personal lives, so too have the increased costs impacted the operation of your resort. The cost of fuel has a direct impact on the cost of utilities and also drives inflation, which in turn leads to higher costs for a range of products and services.

Key factors that may contribute to a change in maintenance fees for 2009 include: an increased cost of amenities and activities; expenses driven by inflationary trends such as real estate taxes, insurance premiums and utility costs; and cost-of-living wage increases for on-site employees.

With reference to our elevators, the Florida Bureau of Elevator Safety is now requiring all elevators be brought up to a new safety standard. Previously, our elevators met or exceeded the earlier safety standard. As a result of the new standard, we are proceeding with a major elevator modernization in 2009.

Please keep in mind that your Board of Directors and Hilton Grand Vacations Company 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."

Your prompt payment of the enclosed bill – due by January 1, 2009 – is appreciated. Payment on or before that date will ensure sufficient flow of funds to support ongoing operations at your property.

Payment Options

By Check – Paying by check is the most cost-effective payment method for your association. Please make your check payable to The Surf Club of Marco Inc., 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 association to prevent co-mingling of funds among associations.

By Credit Card Online – Using your Club Member number and password, log in at hgvclub.com 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 William Chandler to the Board of Directors. We are excited to have him as a Board Member and look forward to his many contributions to the long-term prosperity of your property and your association. We also extend our thanks to Joe McCluskey for his continued support and leadership as a Board Member.

On September 8, 2008, the Board of Directors reluctantly accepted the resignation of Sherwin Turk as a Director. We appreciate the time and support Mr. Turk gave to the association. On September 15, 2008, the Board of Directors appointed James McCanna to complete the unexpired term of Mr. Turk. We look forward to the contributions Mr. McCanna will bring to your board.

At the 2009 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 31, 2009.

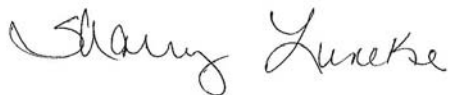
ARDA – Timeshare’s First Line of Defense

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 voluntary contribution to ARDA on your billing statement and encourages you again to make this voluntary contribution of \$3 when paying your 2009 assessment. To learn more about ARDA, visit arda.org.

If you have any questions about your 2009 maintenance fees and taxes, please feel free to contact me by phone at (239) 642-5800 or by email at sluneke@hgvc.com. On behalf of the entire staff of The Surf Club, we look forward to welcoming you back to the familiar comfort of your home away from home.

Warmest regards,



Sharry Luneke
Resort Manager

**THE SURF CLUB OF MARCO, INC.
ANNUAL BUDGET FOR THE PERIOD
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009**

Summary	Statutory Reserve Funding					With Owner Waiver of Statutory Reserve Funding	
	2009 Annual Budget	2009 Per Unit/ Week	2008 Per Unit/ Week	2008 Annual Budget	2008 Proj. Actuals For Year	2009 Annual Budget	2009 Per Unit/ Week
OPERATING FEE	1,650,021	735.30	707.55	1,587,739	1,587,742	1,650,021	735.30
CAPITAL RESERVE	442,034	196.99	132.97	298,381	298,382	338,387	150.80
PAINTING RESERVE	30,165	13.44	13.62	30,559	30,559	30,564	13.62
NET BEFORE CREDITS	2,122,220	945.73	854.14	1,916,679	1,916,683	2,018,971	899.72
TOTAL AMOUNT BILLED	2,122,220	945.73	854.14	1,916,679	1,916,683	2,018,971	899.72

**RESERVE ANALYSIS FOR THE PERIOD
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009**

2244 unit/weeks Replacement Fund	Average Estimated Life (in years)	Average Estimated Remaining Life (in years)	Estimated Replacement Cost (44 units)	2009 Statutory Reserve Funding	Estimated Fund Balance As of 1/1/2009	2009 Proposed Reserve/Assmt. Funding	2009 Projected Expenses	Estimated Fund Balance As of 12/31/2009
Interior	12.26	7.10	2,307,448	315,505	67,000	188,193	206,800	48,393
Roof	27.92	16.37	205,000	11,341	19,300	7,343	0	26,643
Painting	6.78	3.80	182,500	30,165	68,000	30,564	0	98,564
Paving	23.44	7.07	37,000	1,165	28,760	1,579	0	30,339
Recreation	0.00	0.00	0	0	0	0	0	0
Capital Improvements	16.68	5.43	859,386	114,023	240,000	141,272	373,775	7,497
TOTAL			3,591,334	472,199	423,060	368,951	580,575	211,436

	2009 Statutory Reserve Funding	2009 Proposed Reserve Funding
Operating Fee	\$735.30	\$735.30
Capital Reserve	\$196.99	\$150.80
Painting Reserve	\$13.44	\$13.62
Special Assessment	\$0.00	\$0.00
Total Amount Billed	\$945.73	\$899.72

** 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 \$945.73. The Board of Directors recommends a vote in favor of waiving the full funding requirements for Statutory Reserves at the 2008 annual meeting, thereby establishing the maintenance fee at \$899.72 for the 2009 budget year.

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 2244 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.

THE SURF CLUB OF MARCO, INC.
ANNUAL BUDGET FOR THE PERIOD
JANUARY 1, 2009 THROUGH DECEMBER 31, 2009

Description	2244	2009	2009	2008	2008	2008
	unit/weeks	Annual Budget	Per Unit/ Week	Per Unit/ Week	Annual Budget	Proj. Actuals For Year
REVENUE						
Association Fees		1,650,021	735.30	707.55	1,587,739	1,587,742
Late Fee Income		15,050	6.71	4.48	10,044	18,455
Interest Income		11,200	4.99	11.13	24,996	11,851
Dividend Income		0	0.00	0.00	0	2,299
Sales Rent Income		9,660	4.30	4.15	9,312	11,616
Vending Income		2,925	1.30	1.07	2,400	2,914
Concession Income		6,780	3.02	3.02	6,769	6,779
Rental Revenue		4,000	1.78	2.50	5,600	800
Prior Year Surplus (Deficit)		(2,244)	(1.00)	5.79	13,000	0
Other Revenue		300	0.15	0.05	120	311
TOTAL OPERATING REVENUE		1,697,692	756.55	739.74	1,659,980	1,642,768
ADMINISTRATIVE						
Annual Audit		6,204	2.76	2.76	6,200	6,200
Bad Debt Expense		5,000	2.23	8.91	20,000	0
Other Administrative Expenses		55,490	24.73	24.62	55,243	46,467
Postage, Printing, Newsletter		19,775	8.81	7.11	15,950	14,954
Management Fees		89,928	40.07	38.39	86,136	86,136
Division Fees		4,488	2.00	2.00	4,488	4,488
Financial Services Fees		28,116	12.53	12.00	26,928	26,928
Board Reimbursement		10,900	4.86	3.74	8,400	10,686
Total		219,901	97.99	99.53	223,345	195,860
OPERATING EXPENSE						
Office, Desk		297,818	132.72	139.29	312,556	310,307
Housekeeping, Laundry, Supplies		337,373	150.34	131.05	294,072	280,181
Security Provisions		47,742	21.28	20.16	45,242	47,070
Grounds & Landscaping		65,336	29.12	26.14	58,660	61,621
Pool & Spa		24,600	10.96	8.56	19,200	26,093
Recreation		25,228	11.24	9.22	20,700	23,326
Total		798,097	355.66	334.42	750,430	748,598
UTILITIES						
Electric		69,375	30.92	31.64	71,000	66,707
Water, Sewer, Gas		113,792	50.71	59.96	134,546	105,918
Waste Disposal		7,920	3.53	5.65	12,683	11,215
Telephone		8,400	3.74	3.74	8,400	8,494
Cable Television		14,706	6.55	6.47	14,520	14,921
Total		214,193	95.45	107.46	241,149	207,254
BUILDING						
Maintenance - Service, Equipment, Supplies		189,642	84.51	87.10	195,436	192,448
Building & Equipment Contracts		2,800	1.25	1.11	2,500	3,559
Elevator Contracts		14,400	6.42	5.79	13,000	18,314
Total		206,842	92.18	94.00	210,936	214,321
INSURANCE & TAXES						
General Insurance		262,659	117.05	101.66	228,120	240,335
Income Tax		6,000	2.67	2.67	6,000	6,706
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
Total		268,659	119.72	104.33	234,120	247,041
SALE OF ASSOCIATION WEEKS						
Sale of Association Weeks		20,000	8.91	0.00	0	66,115
Cost of Sales		(10,000)	(4.46)	0.00	0	(157,287)
Total		10,000	4.45	0.00	0	(91,172)
OPERATING EXPENSE TOTAL		1,697,692	756.55	739.74	1,659,980	1,704,245
OPER. PROFIT/(LOSS)		0	0.00	(0.00)	(0)	(61,477)

1 Ad Valorem Taxes on individual weeks are billed by the Collier 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	
	2009 Annual Budget	2009 Per Unit/ Week	2008 Per Unit/ Week	2008 Annual Budget	2008 Proj. Actuals For Year	2009 Annual Budget	2009 Per Unit/ Week
RESERVE REVENUE	472,199	210.43	146.59	328,940	328,941	368,951	164.42
RESERVE EXPENSES							
Capital Reserves:							
Interior	315,505	140.61	93.07	208,846	208,846	188,193	83.87
Roof	11,341	5.05	3.77	8,465	8,465	7,343	3.27
Paving	1,165	0.52	(0.47)	(1,055)	(1,055)	1,579	0.70
Recreation	0	0.00	0.00	0	0	0	0.00
Capital Improvements	114,023	50.81	36.60	82,126	82,126	141,272	62.96
Total	442,034	196.99	132.97	298,381	298,382	338,387	150.80
Painting Reserve	30,165	13.44	13.62	30,559	30,559	30,564	13.62
Total	30,165	13.44	13.62	30,559	30,559	30,564	13.62
RESERVE EXPENSE TOTAL	472,199	210.43	146.59	328,940	328,941	368,951	164.42
RESERVE PROFIT/(LOSS)	0	0.00	0.00	0	0	0	0.00