

Approved 1-4-2010

**THE SURF CLUB CONDOMINIUM ASSOCIATION
BUDGET MEETING
OCTOBER 22 & 23, 2009**

The meeting was called to order at 9:45 a.m. by President, William Chandler at the Hilton Grand Vacations Regional Office, Marco Island, Florida. Board members in attendance were: Bill Chandler, Jim McCanna and Joe McCluskey. Attending from Hilton Grand Vacations (HGV) were: Sharry Luneke – Resort Manager, Chris Schmadtke – Assistant to the Resort Manager, Lael Kilpatrick – Regional Manager Resort Operations and Riki Martin – Administrative Assistant and Acting Recording Secretary for this meeting.

APPROVAL OF RECORDING SECRETARY

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to approve the appointment of Riki Martin as recording secretary for this meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

APPROVAL OF AGENDA & CERTIFICATION OF MEETING NOTICE

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the agenda and certification of budget meeting notice. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to allow Hilton Grand Vacations to use revenue from 2010 maintenance fees to pay for the final bills in 2009. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

PRESENTATION OF 2010 OPERATING/RESERVE SCHEDULE

Extensive review of the proposed budget for operations and reserves was done. The reserve schedule was adjusted for dollar amounts with consideration given for safety, priority and length of life in each instance.

**SURF CLUB OF MARCO CONDOMINIUM ASSOCIATION, INC.,
2010 BUDGET RESOLUTION**

The Board of Directors (“Board”) of Surf Club of Marco Condominium Association, Inc. (“Association”), hereby vote in favor of the following resolution:

WHEREAS, the 2010 operating budget (“Operating Budget”) and 2010 capital reserve schedule (“Capital Reserves”) for the Association were presented to the Board prior to the October 22, 2009 Board meeting; and

WHEREAS, after review and discussion of the Operating Budget, the Board approved the total operating expenses other than real estate taxes for 2010 of \$1,625,046; with individual annual operating fees of \$724.17 per unit week; and

WHEREAS, after review and discussion of the Capital Reserves, the Board approved the funding of \$ 414,871 for the Capital Reserve schedule for 2010; with individual annual reserve funding of \$ 184.88 per unit week; and

WHEREAS, the Board budgeted total proposed expenditures in 2010 of \$249,600 for the various projects as outlined in the Capital Reserve schedule; and

WHEREAS, the Board approved and instructed Manager to facilitate the mailing of the 2010 annual maintenance fees to the members of the Association; and

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the total operating expenditures other than real estate taxes for 2010 of \$1,625.046; with individual annual maintenance fees of \$ 909.05 (operating and reserve) per unit week; and approved the funding of \$414,871 for the 2010 Capital Reserves, and further approved and instructed the Manager to facilitate the mailing of the 2010 annual maintenance fees to the members of the Association.

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to adopt the 2010 budget resolution as amended. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to approve the transmittal letter to accompany the 2010 billing statement with the addition of a new line on the bottom of page one. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the 2009 Assessment billing resolution (attached as an exhibit B to these minutes). Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the request that the auditors include the following additional paragraph as a footnote on the audit. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

The Surf Club HOA has acquired a legal opinion that the association shall **not** be considered a successor developer provided that the Association sells 50 or fewer timeshare interests to persons in a given calendar year who are **not** existing purchasers of the Association's timeshare plan and the Association uses a resale purchase agreement which complies with Florida Statute 721.065 (2) as outlined above. In addition, if the Association sells to person(s) who **are** existing purchasers of the Associations timeshare plan which it manages then no amount limitation is imposed upon the Association for sales of timeshare interest.

DELIQUENCY REPORT

SUMMARY OF ACCOUNTS
October 2009

	# of Accounts	Outstanding Balance
Lien Action	0	\$
Foreclosure Action	36	\$ 70,351.07
Other Action	5	\$ 27,325.36
Association Owned Weeks	22	\$112,753.56
Total	63	\$210,429.99

SALES REPORT

2008 SALES

Number of Weeks Sold	77
Dollar Volume	\$465,150
Average Price	\$6,041

2009 YTD SALES

Number of Weeks Sold	46
Dollar Volume	\$398,000
Average Price	\$8,652
Number of Weeks Listed	186
Volume	\$2,089,045

The Board discussed the sale of the association owned weeks. The Board agreed that the current process for the sale of association weeks will continue until the January 4, 2010 meeting.

12:00 p.m. – 12:45 p.m. lunch recess

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to authorize management to accept weeks 411/23 and 311/24 from an owner by quit claim deed. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously.

MOTION was made by McCanna and seconded by Mr. McCluskey to set the date, time and place for the Surf Club Association Annual Meeting on May 7 @ 10:00

a.m. at the social room of The Surf Club of Marco. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

APPROVAL OF PREVIOUS MINUTES

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the minutes of the April 23, 2009 P.M. meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the revised minutes of the April 23, 2009 A.M. meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the minutes of the May 23, 2009 Teleconference meeting with corrections adding Exhibit A. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the minutes of the June 24, 2009 Teleconference meeting as corrected. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

CREDIT CARD PAYMENT OPTION

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the use of credit cards on the maintenance fee statement. Mr. Chandler voted aye, Mr. McCluskey voted aye and Mr. McCanna voted aye. **Motion carried unanimously.**

MANAGER'S REPORT

1. Security Cameras, fixed gates, boardwalk gate

Mrs. Luneke will provide proposals for security cameras at the January 4, 2010 meeting. The boardwalk gate is now working and the lock is at code height.

2. Roof Inspection

a. MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve Crowther Roofing as the roofing contractor. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

b. Lightning Protection System needs to be added to reserves at 2011 budget meeting.

3. 2009/2010 Super maintenance work and related contract work

Mrs. Luneke will try to spread out super maintenance weeks in 2010. Entry doors and electronic door locks were replaced in 2009 as approved by the Board. Sliding glass door rollers were replaced in-house.

4. Trash Compactor and Recycling

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the purchase of a trash compactor from Waste Management to include a guillotine. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.** Recycling is picked up once a week by Waste Management

5. A/C Proposals

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to approve the roof top A/C system replacements with Crowther Cool Check 16 Seer package in the amount \$146,954.00. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

6. Pool/Spa Compliance – Pool Company

Brian Myers of Aquatic Architechs and Iggy Sprude from WaterWorks joined the meeting 2:20 p.m. – 2:45 p.m.

Mr. Myers of Aquatic Architechs explained the current code changes due to the Virginia Graeme Baker Act. The Florida Department of Health requires that by July 1, 2011 the current spa must be retrofitted with a collection tank. The Board reviewed the spa proposal presented by WaterWorks.

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to waive the three bid requirement and authorize the contract to WaterWorks to include option 2 with 2 covers and option 3 not to exceed \$47,712.00. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

7. Interval Exchange Programs & Affiliation Agreements

a. HGV

The agreement with Hilton Grand Vacations has an automatic renewal. The Board does not want an automatic renewal and has 180 days to address the roll over by November 2011. This item to be added to the integrated timeline.

b. RCI (Class Action Suit)

A class action lawsuit was filled against RCI. If you were a member of the RCI Weeks Exchange Program at any time from January 1, 2000 through November 30, 2008, you may be eligible for benefits. Many owners had written to the court to voice their disapproval of the settlement terms under which RCI would have a right to rent deposited weeks after holding them for exchange for only 31 days if there was no active exchange request when the week was deposited.

At this time the Judge has not yet made any decision relative to the actual terms of the proposed settlement. That decision will come sometime after the

November 30, 2009 Fairness Hearing where the Court will consider any objections to the settlement terms filed by Weeks Members.

c. II

The new Interval International agreement is for a three year period, and reflected on the integrated timeline.

8. Outside Recreational Facilities

a. Tennis Courts & Tennis Ball Machine

The Board discussed the options available for the tennis courts. The Board requested a 12 month survey of the amount of time the tennis courts are used. No action was taken at this time.

b. Shuffleboard Courts

Shuffleboard courts were not discussed.

c. Horseshoe Pits

Horseshoe pits were not discussed. Management is however looking for benches for the shuffleboard court and horseshoe pit areas. These benches will negate the need for participants or observers to move chairs from the pool deck area.

9. Roadway & Parking

a. Numbering of Parking Spaces

For ease in case of a problem, maintenance staff will provide a grid of the parking spots for management and security.

10. In-house Guest Occupancy (Owner, Exchange, Renter, No Show)

The manager reviewed the guest occupancy charts with the Board. The Board discussed the problem of no-shows. No action required.

11. Cable TV – Comcast vs. Marco Island Cable

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to send notice of termination to Comcast to exclude the automatic roll over clause. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously.

12. Vending Room Machines

a. Personal Care Items

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to authorize management to purchase a snack machine and soda machine for the vending room and feminine hygiene products machine for the ladies bathroom. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously.

13. Access Panels

Board reviewed the condition of access panels throughout the building while on the property walk, which occurred prior to the commencement of this meeting.

14. Hurricane Protection Options

Sliding glass doors for all units are scheduled for replacement in 2012. Shutters are in storage for ground level facing the gulf.

BOARD OF DIRECTORS POLICY MANUAL – REVISIONS AND/OR ADDITIONS

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to amend the balloting process for the annual meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to amend the Board of Directors business travel reimbursement as recommended by the working group. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the changes to the policy of Board of Directors review and approval of board meeting minutes. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

RESERVE STUDY

The Board asked for clarification on unit interiors from Commercial Assessments. The board requested references and would like to know the cost of a face to face meeting. No action taken at this time.

SET DATE OF 2010 ANNUAL MEETING AND BUDGET MEETING

Board meeting is scheduled for May 6, 2010 time to be determined

Annual meeting is scheduled for May 7, 2010 @ 1:00 p.m.

Budget meeting scheduled for October 21 & 22, 2010

BY-LAW AMENDMENT

The Board will be present for the January 4, 2010 meeting. Management is calling multiple week owners to make sure they have voted. Currently we have approximately 1,000 votes.

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to recess the meeting at 4:55 p.m. on October 22, 2009. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

Meeting reconvened at 9:00 a.m. Friday October 23, 2009

SELECTION OF HOA ATTORNEY

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to recommend we seek to receive the services Attorney Fred Kramer for the coming year subject to our being satisfied with his engagement letter. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.** (see minutes of November 20, 2009 for further action)

FLEX PROGRAM

The Board agreed that the flex program chart held at the front desk is in compliance with the By-Laws in an amendment to the By-Laws Article 2 G under powers and duties of the Board of Directors. **MOTION was made by Mr. McCanna and seconded by Mr. McCluskey the Board established that the current chart being used satisfies our By-Laws to the extent legally permissible and the Board authorizes management to use the current chart.** Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

ELECTRONIC VOTING

Mr. Hutchinson of Hilton Grand Vacation is working with Nordis Direct to provide owners with an option for online voting. He would like to roll out the program with the 2010 Annual meeting mailing. The cost to set up the program is approximately \$500 per resort plus \$0.06 per interval vote. Additional information will be provided as soon as available. Management was directed to request Mr. Hutchinson's presence at the January 4, 2010 meeting.

INVESTMENT OF RESERVES

The Board of Directors reviewed the reserve interest rate comparison and cash flow projections presented by representatives of Morgan Stanley.

HGV MANAGEMENT CONTRACT

Resales/Rentals

The Board had a discussion on rental rates and is considering contacting outside rental agencies. Ms. Kilpatrick suggested that the Board ask outside rental agencies how successful they have been with timeshare rentals. Ms. Kilpatrick stated that she has been working with Jan Anderson from the corporate office to improve our rental marketing for Marco Island. Monies have been allocated for resales and rental marketing in 2010. The Board would like to communicate to Hilton management requesting oversight on rental rates on a continued basis. They strongly recommend the rental rate be lowered during these economic times. They also want to expedite the process of moving toward more internet processing and advertising. **MOTION was made by Mr. McCluskey and seconded by Mr. McCanna requesting management to respond to the board in writing with in 60 days addressing the market rates and commissions for rentals and resales and what adjustments can be made in the future.** Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

The Board discussed having an independent, interactive website which would be monitored by a webmaster and a Board member. Thesurfclubofmarco.com was registered on April-20-2005 for a 5 year period.

Mr. Chandler is going to the ARDA fall conference and will speak to webmasters that are at the convention. The Board would like to interview potential webmasters at the January board meeting.

Ms. Kilpatrick stated that the resale department has a website for its Marco Island properties which they are currently updating. It is timesharonmarco.com.

DISCRETIONARY SERVICES TO BE INCREASED OR DECREASED – i.e. CAP ON MAINTENANCE FEE

The Board did not agree with putting a cap on maintenance fees at this time.

SURVEY OF UNDERGROUND ELECTRIC CABLE & MEAN HIGH WATER MARK

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to direct management to accomplish in the most cost effective method to complete the survey of underground electric cable and mean high water mark. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously.

MARCO ISLAND AND SEAWATCH PRESIDENTS COUNCIL MEETINGS AND MINUTES

The Board reviewed the minutes of the Presidents Council meeting.

APPROVE INTEGRATED TIMELINE

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the integrated timeline to incorporate all dates or decisions made at this meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously.

WAIVER OF STATUTORY FUNDING OF RESERVES

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the waiver of statutory funding of reserves and recommend that the owners approve the waiver of statutory funding at the Annual meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously. The budget adopted was based on the owners approving the waiver of statutory funding of reserves.

ARDA VOLUNTARY CONTRIBUTION

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to allow Hilton Grand Vacations to include a request for a voluntary \$3.00 per week contribution to ARDA-ROC on the maintenance fee statement. Mr. Chandler voted

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aye, Mr. McCluskey voted aye and Mr. McCanna voted aye. **Motion carried unanimously**

ADJOURNMENT

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to adjourn the meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

Meeting adjourned at 1:40 p.m.