

Approved 1-11-2008

**CLUB REGENCY OF MARCO ISLAND
ANNUAL MEETING
FRIDAY, JANUARY 12, 2007**

The meeting was called to order at 10:00 a.m. by President Ralph Pearman at Club Regency of Marco Island. All Board members were in attendance: Jan Brehm, James Chinavare, Ralph Pearman, Charles Pineno and Arnold Zimmerman. Attending from Hilton Grand Vacations Company (HGVC) were: Sharry Luneke – Resort Manager, Kara Hoeffner – Assistant to the Resort Manager, Randy Piatt – Senior Director Resort Operations, Lael Kilpatrick – Regional Manager Resort Operations and Riki Martin – Administrative Assistant and Acting Recording Secretary for this meeting.

A sign-in sheet was circulated for the owners present in lieu of a formal roll call. There was a call for outstanding proxies. A quorum was established.

Judge Pearman introduced the Club Regency staff and the Hilton Grand Vacations Company management team.

APPROVAL OF PREVIOUS MINUTES

The minutes of the 2006 Annual Meeting were sent to the owners in the newsletter in 2006. A copy was included in the agenda packet distributed to owners in attendance. Judge Pearman asked if there were any corrections to the minutes. **MOTION was made and seconded to approve the minutes of the 2006 Annual Meeting.** All voted in favor. **Motion carried.**

MANAGER'S REPORT – Sharry Luneke

Mrs. Luneke introduced the staff and thanked the owners for attending the meeting.

2006 PROJECTS

- Tennis court was resurfaced – Hurricane Wilma repairs
- Landscape replacement was done – Hurricane Wilma repairs
- Refrigerators, microwaves and dishwashers were replaced in January/February
- Lanai furniture was delivered in February
- Lanai resurfacing project of 6 lanai's was done during super maintenance weeks

2007 PROJECTS

- Window treatments for master and guest bedrooms
- Oven/Ranges to be replaced
- Air handler replacement for all units
- New carpeting for units and landings
- Mirror replacement in units
- New unit doors and electronic door locks
- New pool furniture
- Boardwalk replacement
- Grills to be replaced
- Carpet to be replaced in front office.
- Lanai resurfacing project 10 lanai's scheduled for 2007

Ms. Luneke gave a brief update on the tower project. At this time it is a very preliminary study. The proposal was to build a 10 story tower building with 40 2 and 3 bedroom units with a pool. The comprehensive study would cost approximately \$40,000. The Board did not approve the study.

BOARD OF ADMINISTRATION REPORT – Judge Pearman

Judge Pearman thanked the board members for their hard work and support. He also thanked the owners for attending the meeting. The biggest issues that the Board faced at the budget meeting were the increase in insurance and utilities. The Board will report to the owners if there is any further information on the tower project.

Ms. Brehm thanked the owners for their continued support and she feels the property looks wonderful.

Mr. Chinavare stated that this is his third year on the board. He thanked the owners for their continued support.

Dr. Pineno thanked the owners for attending the meeting. He stated it is a pleasure to serve on the Board. Thanks to Judge Pearman for his leadership. He also thanked Mrs. Luneke and her great staff and HGVC for all their hard work.

Mr. Zimmerman has served 14 years on the board and feels that it is an honor to serve. He thanked Mrs. Luneke and her staff for the great job they do. Also thanks to Judge Pearman.

INSURANCE REPORT – Randy Piatt

The Association has property insurance through Hilton Hotel Corporation, including all risk perils, flood and windstorm at 100% replacement cost with a \$25,000 primary deductible. The perils of flood and “windstorm” – storms named by the National Weather Service and with sustained winds of at least 75 mph within 25 miles of shore have a \$100,000 deductible. Most insurance policies have a deductible of 2% of the property value. The policy also provides coverage for pools, spas, tennis courts and landscaping. Coverage remains in effect to reimburse operating and reserve fees and real estate taxes for an owner who cannot occupy his unit because of an insured loss, depending on the circumstances (not applicable if owner has taken advantage of other vacation opportunities, i.e. exchange). The broker is Marsh; the primary carriers are ACE, Lexington, Commonwealth, Columbia Casualty and Lloyd’s of London. A schedule of insurance was included in the agenda packet.

Public liability insurance coverage for the Association continues in effect for injury or damage to third parties with limits well in excess of \$100 million. Directors and Officers liability insurance of \$5 million and crime insurance as required by the State are also maintained.

Mr. Piatt noted that there were unprecedented increases for insurance in the state of Florida this year; some associations weren't even able to get insurance. Premiums increased due to losses from Hurricane Katrina and the forecast of an increasingly active hurricane season. Included in the premium is a 7% surcharge to Citizen's Insurance, the State of Florida's insurer of last resort. Hopefully we'll see a softening of the market next year.

RESALES REPORT - Lee Shook

2006 Total Sales Volume	\$506,650
Total Number of Weeks Sold	40
Weeks Sold with Club Membership	14
3 Association Weeks Sold	\$18,500

RENTAL REPORT 2006 – Lael Kilpatrick

	2006	2005	2004
Nights Available	911	823	837
Nights Rented	610	495	504
Occupancy	67.0%	60.1%	60.2%
Gross Revenue	\$157,976	\$132,223	\$134,665
Average Rate	\$258.98	\$267.12	\$267.19
Weeks Available for Rental	124	119	116
Weeks with Rental Activity	97	85	89
% with Rental Activity	78.2%	71.4%	76.7%
Weeks renting 4 or more nights	79	71	69
% getting 4 or more nights	81.4%	83.5%	77.5%

COMMENTS:

Rentals in 2006 were better, in part, because some of the other HGVC-managed properties on Marco Island were still closed in the early months of the year due to Hurricane Wilma. Club Regency continues to be a very favorable rental location on Marco.

FIANCIAL REPORT – Arnold Zimmerman

Mr. Zimmerman reported that the financial condition of Club Regency is good. The financial records through December 31, 2005 have been audited by the CPA firm Myers, Brettholtz & Company, PA of Ft. Myers. A copy of that report is available to any owner

who may request a copy. This firm has been engaged to audit the financial records for the year ending December 31, 2006. Their report shows an operating loss of \$23,161 which was comprised of an operating profit of \$8,265 and an estimated loss from Hurricane Wilma of \$31,426. Because the computation of this loss included a Board estimate of insurance proceeds which were not determinable at the time, the auditors report included a qualified opinion. Nonetheless, the Board felt that it would not have been prudent to report a hurricane loss of \$57,129 for 2005 which would have been the amount had we not estimated any insurance recovery.

Unaudited internal figures through November 30, the latest available, report the following:

	<u>2005</u>	<u>2006</u>
Cash in the operating fund	\$ 71,683	\$ 123,704
Cash in the reserve fund	467,244	548,462
Cash in the real estate escrow	<u>4,466</u>	<u>7,516</u>
	<u>\$ 543,393</u>	<u>\$ 679,682</u>

The related increase in the operating fund cash is \$52,021. The increase in the reserve fund cash is \$81,218.

Some of the details were mentioned earlier, but the total amount we have spent during the year on capital improvements and replacements is \$211,401. The balance in the reserve fund is \$549,699 on November 30.

Our operating fund profit for 2006 through November 30 is \$14,435 and is in a positive variance of \$183 from the budget. Considering an annual budget of \$798,020, this is approximately a .12% variance. Hurricane Wilma had the following effect on our finances. 1) A loss of \$31,426 for 2005 and 2) a gain of \$15,398 for 2006. This totals \$16,028, which is the net loss related to the hurricane.

While the actual and budget amounts show a positive variance of \$183 for the 11 months, there are variances in certain categories of income and expense that produce this result as follows:

Revenue	\$ 6,444
Administration	2,328
Operating services and supplies	12,439
Utilities	-11,027
Grounds	6,702
Pool and Spa	-3,942
Recreation	339
Building	3,109
Insurance and taxes	-28,963
Profit on sale of association weeks	-2,644
Hurricane	<u>15,398</u>
Total	<u>\$ 183</u>

Annual Maintenance fee:

	2005	2006	2007	Statutory
Operating	\$455.23	\$467.25	\$549.60	\$549.60
Reserve	<u>128.50</u>	<u>148.79</u>	<u>157.68</u>	<u>266.33</u>
	<u>\$583.73</u>	<u>\$616.04</u>	<u>\$707.28*</u>	<u>\$815.93</u>

* This represents an increase of 11.5% mainly because of increased insurance and utilities. Insurance increased \$42.36 and utilities increased \$11.72 per week.

Comparison with other properties on Marco Island

Surf Club	\$798.90
The Charter Club of Marco Beach	\$733.73 **
Eagle's Nest	\$740.00

** This is for weeks 1-51. Week 52 is \$847.71

RATIFICATION OF 2007 BUDGET

Judge Pearman advised that the proposed 2007 operating and reserve budget was sent to each owner with the maintenance fee statement and a copy was included in the agenda packet distributed at this meeting. **MOTION was made and seconded to ratify the 2007 budget as presented.** All owners voted in favor. **Motion carried.**

TELLER'S REPORT

There were 553 unit weeks represented, both in person and by proxy, out of a possible 1,632 unit weeks, which represents 34 % owner response.

WAIVER OF STATUTORY FUNDING OF RESERVES

There were 468 votes to waive the statutory funding of reserves and 19 votes not to waive the statutory funding of reserves. Therefore, the waiver of statutory funding of reserves was approved and the reserve funding will remain at the level approved in the 2007 budget.

ELECTION OF BOARD MEMBER

There were two candidates seeking election to fill the one seat available on the Board of Administration. The candidate receiving the highest number of votes was: Jim Chinavare who was elected to serve a three-year term. The current Board of Administration is: Jan Brehm, Ralph Pearman, Charles Pineno, Arnold Zimmerman and Jim Chinavare.

ADJOURNMENT

MOTION was made and seconded to adjourn the meeting. All owners voted in favor. **Motion carried.**

Meeting adjourned at 11:00 a.m.