

**THE SURF CLUB OF MARCO
ANNUAL MEETING
FRIDAY, MAY 7, 2010**

The meeting was called to order at 10:00 a.m. in the Social Room at The Surf Club of Marco, 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, Neil Hutchinson – Vice President Association Management Services, Lael Kilpatrick – Regional Director Resort Operations, Judy Graner – Vacation Counselor and Riki Martin – Administrative Assistant and Acting Recording Secretary for this meeting. John Lopez of Myers, Brettholtz and Company attended the meeting to present the 2009 Audit.

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

APPROVAL OF PREVIOUS MINUTES

A copy of the minutes of the 2009 Annual meeting was sent to each owner in the newsletter published in 2009 and was also included in the agenda packet distributed at the meeting. **MOTION was made by Debra Tribbey and seconded by John Hauk to approve the minutes of the 2009 Annual meeting as presented.** All voted in favor. **Motion carried.**

MANAGER'S REPORT

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

Major Project completed in 2009

WiFi through out the building
Elevator upgrade
New fire alarm system
Entry unit doors replaced
Unit dishes replaced

Major Project completed /to be completed in 2010

Replacing the trash compactor
Replaced 2nd boiler on the roof
Replaced air conditioner compressors and air handlers on roof
Replace fire pump
Pool/Spa to be code compliant

BOARD OF DIRECTORS REPORT

Mr. Chandler reported that the owners approved the By-Law Amendments, regarding expansion of the board to five members, approving a two year term for Directors and permitting future By-Law Amendments with the vote of 50.1% of all owners.

The Florida state law has changed and is allowing incumbent board members to run for re-election without a sit out.

The Board had approved for the Annual meeting mailing to be sent by Nordis Direct to allow for on-line voting and electronic mailings.

A reserve study is currently being done and the report is expected in early June.

2009 AUDIT – John Lopez

The report stated, “In our opinion, the financial statements referred to above present fairly in all material respects the financial position of The Surf Club of Marco, Inc. As of December 31, 2009 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America”.

Mr. Lopez gave a recap of the year’s activities as follows:

Operating cash	\$899,882
Reserve cash	\$24,034
Reserve CD’s	\$299,817
Total operating revenue	\$1,719,357
Total operating expenses	\$1,606,767
Excess	\$112,590

Beginning Operating Fund Balance January 1, 2009 (\$65,351)

Ending Operating Fund Balance December 31, 2009 \$47,239

RENTAL REPORT - Lael Kilpatrick

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Nights Available	1061	1262	1165
Nights Rented	547	782	689
Occupancy	51.6%	62.0%	59.1%
Gross Revenue	\$155,797	\$203,980	\$180,724
Average Rate	\$284.82	\$260.84	\$262.30
Weeks Available for Rental	145	181	165

Weeks with Rental Activity	91	126	124
% with Rental Activity	62.8%	69.6%	75.2%
Weeks Renting 4 or more Nights	76	111	93
% getting 4 or more Nights	83.5%	88.1%	75.0%

COMMENTS:

Transient Rental business to Florida was severely impacted in 2009 by a myriad of factors not the least among them, the tight economy. Occupancies across our Southwest Florida managed resorts were the worst in our history. In an effort to revamp our Rental Operations, we have engaged a new Marketing Company and, for the first time in our history, feel we have to offer promotions and discounts during the High Season months of February, March and April just to help generate traffic to the resorts. At this meeting last year we said, "Forecasts for a rebound in 2009 are dim and initial reservations reflect this." Unfortunately, that statement has come to pass and we are looking for a very slow recovery which may take several years to accomplish.

RESALES REPORT - Judy Graner
2010 SALESYTD

Number of Weeks Sold	22
Dollar Volume	\$217,926
Average Price	\$9,906

2009 SALES

Number of Weeks Sold	60
Dollar Volume	\$544,600
Average Price	\$9,077

Number of Weeks Listed	182
Volume	\$1,919,045
Listed Price Range	\$4,000 - \$33,750

The Association bid sale has been closed. To date 11 weeks have been sold. The Board will meet later this month to re-evaluate the sale and make a decision on how to proceed with selling the remaining weeks.

An owner asked if the Association has lost money. The answer is yes, but we now have owners paying the maintenance fees on those weeks.

NEW BUSINESS

Ratification of the 2010 Budget

The proposed 2010 Operating 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 by Robert Tribbey, seconded by Robert Irby to ratify the 2010 budget as presented.** All voted in favor. **Motion carried.**

OWNER COMMENTS

Mr. Tribbey thanked the board and management for doing a great job

TELLER'S REPORT

There were 891 unit weeks represented, both in person and by proxy, out of a possible 2,244 unit weeks, which represents 39.2 % owner response.

Waiver of Statutory Funding

There were 772 votes to waive the statutory funding of reserves and 44 votes not to waive the statutory funding of reserves. Waiver of statutory funding of the reserves was approved; therefore the funding will remain at the level approved in the 2010 budget.

Election of Director

There were five candidates seeking election to fill the two seats available on the Board of Directors. The candidates receiving the highest number of votes were Jim McCanna and M.T. Myers who were elected to serve a two year term.

The current Board of Directors is William Chandler, Jim McCanna and M.T. Myers.

Tellers report is hereby attached as Exhibit A.

Congratulations to Mr. McCanna and Mrs. Myers on their election. Thanks to the owners who participated in the election and the meeting.

Outgoing board member Joe McCluskey was presented a token of appreciation for all his work on the Board of Directors. Joe's oversight on the elevator modernization and the fire system was greatly appreciated.

ADJOURNMENT

MOTION was made by Robert Irby and seconded by Rita McCluskey to adjourn the meeting. All voted in favor. **Motion carried.**

Meeting adjourned at 10:40.m.