



October 2009

Dear Surf Club Owner,

It is our pleasure to serve you and ensure that your resort remains an extraordinary setting for your vacation getaways.

In recent months, several upgrades have been made to your property, including modernization of the elevators and fire protection system. In addition, unit entry doors and electronic door locks have been replaced and now include magnetic door holders. New televisions were purchased for the master bedrooms, and the existing master bedroom televisions were moved to the guest bedrooms and cable was installed. New dishes and silverware have also been placed in every unit. These enhancements make your property even more enjoyable, and I can't wait for you to see them!

2010 Billing / Budget Impacts

Enclosed is the statement for your 2010 maintenance assessment and real estate taxes. The operating 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.

Many of the key factors that contribute to a change in maintenance fees for 2010 are largely beyond the control of the association, such as real estate taxes, insurance premiums and utility costs. In addition, the association has seen a slight increase in uncollectible accounts and a decrease in interest earned on reserve funds.

Other significant budget factors include continuous governmental code changes and the upgrades that must be made to the resort for compliance purposes. In 2009 we addressed the elevators and fire system because of code requirements. In 2010 we must address swimming pool and spa code requirements as well as R22 refrigerant changes affecting your air-conditioning system.

Please keep in mind that your association's Board of Directors and Hilton Grand Vacations 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."

Prompt payment of the enclosed bill – due on January 1, 2010 – is appreciated. Payment on or before that date will ensure sufficient flow of funds to support ongoing operations at your property. Remember that the postage date has no bearing on the application of funds to your account – allow at least 10 business days after mailing your payment for the payment to be posted in our system.

Please be aware that your account will be considered past due and subject to late fees and related charges after January 1, 2010, and that any late fees and related charges will not be waived, in accordance with your association's governing documents, and/or applicable law and/or the policies set by your Board of Directors. However, as directed by your Board of Directors, the late fees and related charges will be waived if the maintenance fees are posted prior to February 15, 2010.

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 Condominium Association, 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 owners association to prevent co-mingling of funds among associations.

By Credit Card Online – If you are a Hilton Grand Vacations Club Member, log in at hgvclub.com using your Club Member number and password, 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. Please do not mail cash or send payments by express mail because of the related processing fees charged to your association.

Board of Directors

At the last Annual Owners Meeting, the ownership re-elected Joe McCluskey to the one available seat on the Board of Directors. We are pleased to have Joe as a Board Member and look forward to his many contributions to your owners association. We also extend our thanks to the rest of your Board Members – Bill Chandler and Jim McCanna – for their continued support and leadership.

At the 2010 Annual Owners Meeting, two (2) candidates 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 30, 2010.

We continue our efforts to collect proxies for the January 4, 2010, Special Meeting. The results of the Special Meeting will determine the length of the terms to be served by the two elected candidates. If you have not already done so, please return your proxy today! A copy was included in the recent Sandscript newsletter.

ARDA – Timeshare’s First Line of Defense

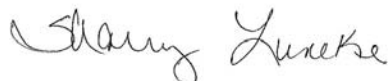
As the vacation ownership industry’s trade association, the American Resort Development Association (ARDA) promotes a “timeshare-friendly” legislative agenda at the local, state and federal levels. On behalf of ARDA, we would like to thank those who have supported these efforts by making a voluntary \$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 contribution to ARDA on your billing statement and encourages you again to make this voluntary contribution of \$3 when paying your 2010 assessment. To learn more about ARDA, visit arda.org.

If you have any questions about your 2010 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 Board of Directors and the staff at the Surf Club, we look forward to welcoming you back to the familiar comfort of your home away from home.

Sincerely,



Sharry Luneke
Resort Manager

THE SURF CLUB OF MARCO, INC
ANNUAL BUDGET FOR THE PERIOD
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010

Description	2244	2010	2010	2009	2009	2009
	unit/weeks	Annual Budget	Per Unit/ Week	Per Unit/ Week	Annual Budget	Proj. Actuals For Year
REVENUE						
Association Fees		1,625,046	724.17	735.30	1,650,021	1,650,022
Late Fee Income		13,200	5.88	6.71	15,050	13,406
Interest Income		0	0.00	4.99	11,200	737
Dividend Income		0	0.00	0.00	0	3
Sales Rent Income		9,660	4.30	4.30	9,660	9,660
Vending Income		2,525	1.13	1.30	2,925	2,562
Concession Income		6,780	3.02	3.02	6,780	6,778
Rental Revenue		0	0.00	1.78	4,000	0
Prior Year Surplus (Deficit)		(44,880)	(20.00)	(1.00)	(2,244)	0
Other Revenue		360	0.17	0.13	300	374
TOTAL OPERATING REVENUE		1,612,691	718.67	756.55	1,697,692	1,683,542
ADMINISTRATIVE						
Annual Audit		6,504	2.90	2.76	6,204	6,202
Bad Debt Expense		5,000	2.23	2.23	5,000	5,000
Other Administrative Expenses		50,895	22.68	24.73	55,490	44,532
Postage, Printing, Newsletter		17,600	7.84	8.81	19,775	15,483
Management Fees		89,928	40.07	40.07	89,928	89,928
Division Fees		4,488	2.00	2.00	4,488	4,488
Financial Services Fees		28,675	12.78	12.53	28,116	28,116
Board Reimbursement		10,900	4.86	4.86	10,900	10,508
Total		213,990	95.36	97.99	219,901	204,257
OPERATING EXPENSE						
Office, Desk		331,278	147.62	155.97	350,006	326,103
Housekeeping, Laundry, Supplies		275,556	122.80	127.09	285,186	267,140
Security Provisions		46,335	20.65	21.28	47,742	46,453
Grounds & Landscaping		51,428	22.92	29.12	65,336	53,640
Pool & Spa		28,200	12.57	10.96	24,600	28,887
Recreation		25,228	11.24	11.24	25,228	25,109
Total		758,025	337.80	355.66	798,097	747,331
UTILITIES						
Electric		67,000	29.86	30.92	69,375	68,931
Water, Sewer, Gas		99,120	44.17	50.71	113,792	91,378
Waste Disposal		8,160	3.64	3.53	7,920	8,085
Telephone		8,100	3.61	3.74	8,400	8,084
Cable Television		14,712	6.56	6.55	14,706	14,867
Total		197,092	87.84	95.45	214,193	191,345
BUILDING						
Maintenance - Service, Equipment, Supplies		170,018	75.77	82.28	184,642	171,750
Building & Equipment Contracts		2,206	0.98	3.48	7,800	3,179
Elevator Contracts		3,960	1.76	6.42	14,400	16,965
Total		176,184	78.51	92.18	206,842	191,893
INSURANCE & TAXES						
General Insurance		268,548	119.67	117.05	262,659	259,883
Income Tax		2,052	0.92	2.67	6,000	1,023
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		270,600	120.59	119.72	268,659	260,906
SALE OF ASSOCIATION WEEKS						
Sale of Association Weeks		(16,000)	(7.13)	(8.91)	(20,000)	(16,500)
Cost of Sales		12,800	5.70	4.46	10,000	12,749
Total		(3,200)	(1.43)	(4.46)	(10,000)	(3,751)
OPERATING EXPENSE TOTAL		1,612,691	718.67	756.55	1,697,693	1,591,981
OPER. PROFIT/(LOSS)		0	0.00	(0.00)	(0)	91,561

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	
	2010 Annual Budget	2010 Per Unit/ Week	2009 Per Unit/ Week	2009 Annual Budget	2009 Proj. Actuals For Year	2010 Annual Budget	2010 Per Unit/ Week
RESERVE REVENUE	478,053	213.04	164.42	368,951	368,957	414,871	184.88
RESERVE EXPENSES							
Capital Reserves:							
Interior	352,369	157.03	83.87	188,193	188,196	258,947	115.40
Roof	11,666	5.20	3.27	7,343	7,343	7,343	3.27
Paving	1,097	0.49	0.70	1,579	1,579	1,579	0.70
Recreation	0	0.00	0.00	0	0	0	0.00
Common Area	0	0.00	0.00	0	0	0	0.00
Capital Improvements	82,831	36.91	62.96	141,272	141,275	108,853	48.51
Total	447,963	199.63	150.80	338,387	338,393	376,722	167.88
Painting Reserve	30,090	13.41	13.62	30,564	30,564	38,149	17.00
Total	30,090	13.41	13.62	30,564	30,564	38,149	17.00
RESERVE EXPENSE TOTAL	478,053	213.04	164.42	368,951	368,957	414,871	184.88
RESERVE PROFIT/(LOSS)	0	0.00	0.00	0	0	0	0.00

**THE SURF CLUB OF MARCO, INC
ANNUAL BUDGET FOR THE PERIOD
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**

Summary	Statutory Reserve Funding			With Owner Waiver of Statutory Reserve Funding			
	2010 Annual Budget	2010 Per Unit/ Week	2009 Per Unit/ Week	2009 Annual Budget	2009 Proj. Actuals For Year	2010 Annual Budget	2010 Per Unit/ Week
OPERATING FEE	1,625,046	724.17	735.30	1,650,021	1,650,022	1,625,046	724.17
CAPITAL RESERVE	447,963	199.63	150.80	338,387	338,393	376,722	167.88
PAINTING RESERVE	30,090	13.41	13.62	30,564	30,564	38,149	17.00
SPECIAL ASSESSMENT	0	0.00	0.00	0	0	0	0.00
NET BEFORE CREDITS	2,103,099	937.21	899.72	2,018,971	2,018,980	2,039,917	909.05
CREDITS							
PAINTING RESERVE REFUND	0	0.00	0.00	0	0	0	0.00
OPER. SURPLUS REFUND	0	0.00	0.00	0	0	0	0.00
TOTAL CREDITS	0	0.00	0.00	0	0	0	0.00
TOTAL AMOUNT BILLED	2,103,099	937.21	899.72	2,018,971	2,018,980	2,039,917	909.05

**THE SURF CLUB OF MARCO, INC
RESERVE ANALYSIS FOR THE PERIOD
JANUARY 1, 2010 THROUGH DECEMBER 31, 2010**

2244 unit/weeks Replacement Fund	Average Estimated Life (in years)	Average Estimated Remaining Life (in years)	Estimated Replacement Cost (2244 units)	2010 Statutory Reserve Funding	Estimated Fund Balance As of 1/1/2010	2010 Proposed Reserve/Assmt. Funding	2010 Projected Expenses	Estimated Fund Balance As of 12/31/2010
Interior	11.91	6.44	2,415,248	352,369	144,240	258,947	149,600	253,587
Roof	27.92	15.37	205,000	11,666	25,659	7,343	0	33,002
Painting	6.78	2.80	182,500	30,090	98,375	38,149	0	136,524
Paving	23.44	6.07	37,000	1,097	30,335	1,579	0	31,914
Recreation	0.00	0.00	0	0	0	0	0	0
Common Area	0.00	0.00	0	0	0	0	0	0
Capital Improvements	16.92	10.65	892,386	82,831	10,209	108,853	100,000	19,062
TOTAL			3,732,134	478,053	308,818	414,871	249,600	474,089

	2010 Statutory Reserve Funding	2010 Proposed Reserve Funding
Operating Fee	\$724.17	\$724.17
Capital Reserve	\$199.63	\$167.88
Painting Reserve	\$13.41	\$17.00
Special Assessment	\$0.00	\$0.00
Total Amount Billed	<u>\$937.21</u>	<u>\$909.05</u>
Painting Reserve Refund	\$0.00	\$0.00
Operating Surplus Refund	\$0.00	\$0.00
TOTAL AMOUNT BILLED	<u>\$937.21</u>	<u>\$909.05</u>

** 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 \$937.21. The Board of Directors recommends a vote in favor of waiving the full funding requirements for Statutory Reserves at the 2009 annual meeting, thereby establishing the maintenance fee at \$909.05 for the 2010 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 exist 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.