

**THE SURF CLUB CONDOMINIUM ASSOCIATION
BUDGET MEETING
OCTOBER 23 & 24, 2008**

The meeting was called to order at 9:00 a.m. by President, William Chandler at the Hilton Grand Vacations Regional Office, Marco Island, Florida. Board members in attendance were: William 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, Raul Nieves – Hilton Grand Vacations Senior Accounting Manager and Riki Martin – Administrative Assistant and Acting Recording Secretary for this meeting. Tim Murk – Lerch Bates joined the meeting 10:05 a.m. – 10:25 a.m. (via telephone), Malcolm Daigle – Malcolm L. Daigle & Associates, Inc. joined the meeting 10:28 a.m. - 10:40 a.m. (via telephone)

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 AGENDAS & 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 approve the agenda and certification of non budget meeting notice. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

Mr. Nieves presented the Board with interest rates from various banks and recommended the Board place the operating funds with Comerica which is currently offering the best rate. **MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to authorize HGV to invest surplus operating funds with Comerica.** 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 set aside \$15,000 to hire a consultant for the elevator project. Reference teleconference meeting minutes of October 20, 2008. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

The Board of Directors reviewed the elevator proposal with Tim Murk Regional Manager Lerch Bates. (See Addendum A)

The Board also contacted Malcolm Daigle – Malcolm L. Diagle & Associations, Inc. to review his elevator proposal.

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the contract with Lerch Bates. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

Upon recommendation of the Resort Manager. **MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to authorize management to purchase a trash compactor from Waste Management.** Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

Upon recommendation of Raul Nieves - Senior Accounting Manager. **MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to reduce the amount in the allowance for bad debt to zero in the 2008 fiscal year.** Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

Management advised that Surf Club showed a deficit in 2007 and looks as if 2008 will also have a deficit. Ms. Kilpatrick will send a letter to the State of Florida stating Surf Club has included a line item to the 2009 budget addressing the prior year deficit.

12:30 p.m. – 1:30 p.m. lunch break Mr. Nieves left the meeting at this time.

EXECUTIVE SESSION – HGV MANAGEMENT CONTRACT

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to go into Executive Session at 1:30 p.m. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.** The Board met with Attorney William Morris. The Board came out of Executive Session at 2:40 p.m. No action was taken in Executive Session.

APPROVAL OF PREVIOUS MINUTES

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to approve the minutes of the May 29, 2008 Board of Directors meeting. Motion adopted.

Mr. Chandler was unable to vote on this motion as he was not a board member at the time of the meeting.

MOTION was made by Mr. McCluskey and seconded by Mr. Chandler to approve the minutes of the May 30, 2008 Board of Directors meeting. Motion adopted.

MOTION was made by Mr. McCluskey and seconded by Mr. Chandler to approve the minutes of the July 9, 2008 Board of Directors Teleconference meeting. Motion adopted.

MOTION was made by Mr. McCluskey and seconded by Mr. Chandler to approve the minutes of the August 15, 2008 Board of Directors Teleconference meeting. Motion adopted.

MOTION was made by Mr. McCluskey and seconded by Mr. Chandler to approve the minutes of the September 8, 2008 Board of Directors Teleconference meeting as corrected. Motion adopted.

MOTION was made by Mr. McCluskey and seconded by Mr. Chandler to approve the minutes of the September 15, 2008 Board of Directors Teleconference meeting. Motion adopted.

Mr. McCanna was unable to vote on the previous motions as he was not a board member at the time of these meetings.

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve the minutes of the October 20, 2008 Teleconference meeting. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

By recommendation of the Resort Manager for a permanent power wash system. **MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to approve purchase of EASI cleaning system to be paid out of operating fund and to be added to reserve schedule for 2009.** Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

INTERVAL INTERNATIONAL PRESENTATION (via telephone conference call)

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to authorize Interval International to distribute a promotional mailing to the Surf Club owners through the normal process third party mailing. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.** Interval International will be offering to Surf Club members 2 Years for the Price of 1: Only \$84 U.S.

REVIEW OF MANAGERS QUARTERLY REPORTS INCLUDING OWNERS COMMENTS

The Board reviewed the quarterly reports

INSPECTION OF EAGLE'S NEST RESORT POWER WASH SYSTEM/TENNIS COURTS

Weather and time did not permit an inspection of power wash system/tennis courts.

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to recess the meeting at 5:35 p.m. on October 23. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

Meeting reconvened at 9:00 a.m. on October 24.

Randy Piatt – HGV Regional Vice President Resort Operations joined the meeting on October 24.

PRESENTATION OF PROPOSED 2009 OPERATING/RESERVE SCHEDULE

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to adopt the 2009 combined operating and reserve budget at \$899.72 per unit week excluding real estate taxes. 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 transfer \$95,000 from interior reserves to capital improvements simultaneously with the funding of the reserve account in 2009. 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 transfer \$50,000 from roof reserves to capital improvements simultaneously with the funding of the reserve

account in 2009. 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 transfer \$5,000 from paving reserves to capital improvements simultaneously with the funding of the reserve account in 2009. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.**

WAIVER OF STATUTORY FUNDING OF RESERVES

The budget adopted was based on the owners approving the 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.**

Management agrees to provide state explanation for the next newsletter.

ARDA RESORT OWNERS COALITION (ROC) 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 in the maintenance fee statement. Mr. Chandler voted aye, Mr. McCluskey voted aye and Mr. McCanna 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.**

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to adopt the proxy tallying policy drafted on 10-24-08 for insertion in the policy manual. 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 reconsider the motion made regarding the owner directory release form at the May 9, 2007 and October 18 & 19, 2007 board meetings. 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 rescind the same motion regarding owner directory release form. 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 strategy outlined by Mr. Chandler on amending the By-Laws for content and strategy in the memo dated Sept. 18, 2008. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. **Motion carried unanimously.** (Attached as Addendum B)

MOTION was made by Mr. McCanna and seconded by Mr. McCluskey to set up special HOA meeting on January 4, 2010 for the purposes of tallying the two By-Law changes. 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 authorize HGV Club to distribute a promotional mailing to the Surf Club owners through the normal process with third party mailing. 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 notify the proper authorities that Hilton Grand Vacations Regional office on Marco Island office is the registered agent for The Surf Club of Marco and authorizes the payment of any required fees. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously.

REVIEW OF GOVERNING DOCUMENTS

a. Amendment(s) to Declaration of Condominium

b. Amendment(s) to Articles of Incorporation

Review of items a. & b. to be discussed at a future meeting.

REVIEW OF SURF CLUB POLICY MANUAL

The working committee will review the policy manual and report back to the Board of Directors.

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to approve the use of a space banked week to Surf Club owner, Rick Bertz in appreciation for his ongoing efforts with the elevator modernization project. The Surf Club will pay the exchange fee. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey voted aye. Motion carried unanimously.

APPROVAL OF INTEGRATED TIME LINE

MOTION was made by Mr. McCluskey and seconded by Mr. McCanna to approve the three year timeline with the changes made today. Mr. Chandler voted aye, Mr. McCanna voted aye and Mr. McCluskey 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 11:55 a.m.