

HARBOR COVE TIMESHARE OWNERS' ASSOCIATION

ANNUAL MEETING

NOVEMBER 7, 2015

All Board members were in attendance except for Cyndi Homeyer and Ken Newbury. The meeting was held at the Crowne Plaza in Auburn Hills, MI

The following owners also attended the meeting: Leslie and Cindy Ashmore, Lou and Pat Sklarski, Doug Herrington, Jean Korleski and Mike and Jeanne Wood

President Steve Sandor welcomed all attendees and introduced our newest Board member Fred Humig.

The minutes from the November 8, 2014 meeting were accepted without change.

Secretary's Report: Joe Gromala

- Joe reported that all members were reelected and that Fred Humig was added to the Board.
- 56 owners returned proxy cards, representing 91 weeks owned. Therefore a quorum was achieved for the meeting.
- Joe summarized results from comments submitted by those RCI members who exchanged into Harbor Cove. There were 87 exchanges, and 35 RCI exchange people completed surveys.
- Joe reported on our Silver Crown status with RCI, and information is obtained from the surveys submitted. Unfortunately our scores were far below what is necessary to achieve Silver Crown status. RCI determines Silver and Gold Crown ratings based on ratings in five categories, Check In-Check Out, Resort Hospitality, Resort Maintenance, Unit Maintenance, and Unit Housekeeping. We achieved the necessary Silver Crown status in only one category, Check In – Check Out. This result is disturbing because in past years we did achieve Silver Crown status.
- One owner and his wife, Mike and Jeanne Wood, reported on some very distressing lack of basic maintenance in the unit they were in. Steve commented that this unit had not received a kitchen update, but the poor maintenance went far beyond the condition of the kitchen. Steve reported that he will pass these on to Lora for her review and comment.

Report from Managers:

- Neither Brad nor Lora attended the meeting in person or connected via Skype or conference calling facilities.
- Lora reported that their office is now located in downtown Harbor Springs. There has been a serious problem in that calls placed to their office number late on Friday or over the weekend were not returned until they came into the office on Monday. Now, the contact phone number for them is their cell phone number, so these problems should no longer be an issue.
- Lora reported that the problem with the front door lock not operating properly is being addressed.
- Lora will emphasize to the cleaning people that they should report any problems or issues to them as soon as they are noticed, since they are unaware of any issues as they may occur because they do not inspect the units weekly.

President's Report:

- The Maintenance Fee for 2016 will be \$520, and this covers all our costs, but does not have any allowances for capital improvements or significant replacements like mattresses, sofas, etc.
- Our biggest problem is that some owners are not paying their Maintenance Fees, and this shortfall means that it is necessary to raise Maintenance Fees by a larger amount to cover these delinquencies. There is more than \$40,000 of Maintenance Fees currently unpaid.
- Liens have been placed on eighteen owners' weeks, and this means these owners cannot sell their weeks until the lien is released.

- The Board will begin taking very stringent actions regarding owners who have not paid their Fees. We may go to Small Claims Court, at the District Court level, near where the delinquent owner lives, and not near Harbor Springs. If we go to Small Claims Court, we will attempt to get a judgment, which is a court order requiring the delinquent owner to pay what is owed. If the judgment is still not paid, it appears that the sheriff can seize property owned by the delinquent owner, not solely the timeshare week(s) in delinquency.
- Steve also reported on the change in spacebanking policy which requires owners to prepay their Maintenance Fees when they are Spacebanking their weeks for future exchanges.
- Steve, who is also the Treasurer of the Phase I association, reported that an assessment will not be necessary to fund the roof repairs which will get underway shortly.
- Phase I is in good shape financially, and they are projecting a gain from operations in this fiscal year, and reserves total more than \$175,000.

Treasurer's Report: Mark Ward

- Mark presented a very detailed report wherein he broke our expenses down into three categories, fixed, variable, and semi variable. He pointed out that fixed costs decline as the number of paying weeks increase because these costs are spread over a larger number of weeks being paid for.
- A positive balance (revenue minus expenses) of about \$6,000 is projected for calendar year 2015, and the balance decreased from about \$20,000 at the beginning of the year because kitchen renovations were funded from the accumulated positive balance. Our restricted reserves are more than \$30,000, while our By laws require a restricted reserve of only 10% of the operating budget. Our reserve is about 23% of the operating budget.
- The Maintenance Fee of \$520 for 2016 is based on 255 weeks being paid for.
- Although owner delinquencies are increasing, our Association is in an excellent financial position. If we can somehow collect a large portion of the delinquent Maintenance Fees, our financial position would improve considerably.

Unit Improvement Report: Rich Terry

- Rich Terry summarized improvements that have been made to the units in the last six years.
- Improvements have been made in the living area, namely sleeper/ sofa, chairs, and new TVs. In the bedrooms comforters, sheets and pillow cases and space heaters have been added or replaced. Most notably the kitchens in four units, including new cabinets, countertops, flooring, sinks, and hardware have been replaced. The two remaining kitchens should be complete by year end.
- Additional items are being considered by the Board as follows: painting, replacing carpeting, mattress replacement, sofa/sleeper repair or replacement, kitchen appliance replacement, bathroom updates, and possible air conditioner replacement. (This is a partial list)
- Due to the number of improvements that should undertaken, it may be necessary to consider a one time special assessment.
- Owners are asked to submit comments to any Board member regarding future unit improvements and funding of these upgrades.

Marketing: Steve Sandor

- A new list of weeks for sale will be distributed in a few weeks.
- Units the Association owns are now listed on Rental Bug, as it is considerably cheaper than Vacation Rental by Owner. There have been a number of inquiries from folks using Rental Bug but no rentals as yet.