

CAUSEWAY ON GULL ASSOCIATION, INC.

2015 ANNUAL OWNERS MEETING

November 15, 2015

The Arrowwood Lodge, Baxter MN

1. The meeting was called to order by Association President, Steve Wagner. Also present from the Board were Pat O'Hara, Gloria Williamson, Dennis Nordstrand, Roy Jensen, Pat O'Hara, Chuck Standfuss, Shirley Mitchell, and Daryl Luthens. Ad Hoc Committee members present were Rob Hanson, George Deliduka, Doug Weber, and Dennis Steele. Legal Counsel, Dick Hawke, was also present.
2. A motion was made and seconded to approve the minutes of the November 16, 2014 Annual Meeting. The motion carried.
3. The President's report was presented by Steve Wagner. Steve introduced the members of the management team that were present. He commented that many repairs were completed on a limited budget because they were done by the staff and not outside contractors. The maintenance staff even painted the indoor pool. He believes that the resort is able to retain a Gold Crown Status with RCI because of the staff. They are dedicated and keep the resort looking nice. Steve reported that positive steps have been taken to maintain the validity of the resort. He thanked former President, Mark Nagel, Legal Counsel, Dick Hawke, and NMI President, Neal Narveson for their work in completing the first large foreclosure of developer weeks and paving the way for continued actions to gain control of those intervals. Now, they can be sold, so the Association can be financially healthier. The Board's goal has always been to make unproductive weeks into productive weeks. This can be done through sales, offering them for bonus weeks, and public rentals. Steve encouraged members to volunteer for the Board and Ad Hoc Committee. Both are responsible for setting the budget, budget control, and working towards making Causeway great.
4. The Treasurer's report was presented by Dennis Nordstrand. Dennis reported that operations have mirrored what had happened the last couple of years. Maintenance fees on the foreclosed intervals and outstanding weeks were written off, but this action did not affect cash flow. He commented that there are still owners not paying their maintenance fees, which hurts the Association. It was necessary to once again, draw on the line of credit to get through the year. Dennis mentioned that, in an effort to help costs, NMI didn't take the management fee increase for 2016 as previously agreed. Although this helped, it is still a difficult time for the Association. Selling weeks will still have the most impact on finances.
5. Resort Operations – Neal Narveson Management reported on the following:
 - A. Neal commented that the Board is made up of owners who volunteer their time. He has enjoyed working with the Causeway Board. They have had a lot to deal with and have had to make some tough decisions. Unfortunately, the development company left the Board with a resort that wasn't sold out and with many encumbered weeks. He has managed Causeway for 11 years and there are still problems to work out, but progress has been made. He mentioned that Dick Hawke has helped a lot. Dick is a former Board member, a former Board President, and now the Board's Legal Counsel, and he doesn't charge the Association what he should, or could, for his services. Much effort has been placed on getting owners their deeds or on getting deeds cleared up to be sold.

- B. Neal mentioned that the average maintenance fee in the USA is \$844. Fees are high nationwide because of higher delinquency, probably due to the fallout in the industry years ago. Timeshare was overbuilt and this contributes to the difficulty the industry is having. An aging owner base has also become an issue. People who purchased in their 40's or 50's, are now in their 70's or 80's and are having difficulty paying the higher fees. Much of management's focus has been put on ways to increase revenue and try to stabilize fees for owners. Bonus weeks and the recent affiliation with Expedia has been helpful in increasing revenue.
 - C. Neal reported that a few Association weeks were sold from the friends and family offer as well as some owner weeks. He also mentioned that Vacation Ownership For Less has been productive in helping owners.
 - D. Neal explained that the vacation club, Global Exchange, is in the process of acquiring a block of inventory from the Association. The transaction has taken longer than expected to close and it is still undetermined if the Board can expect any maintenance fees to be paid in 2016. Some projects, like roofs and exterior staining, have been delayed because of this. The only alternative would have been to raise fees to get the projects done. Selling weeks and working with companies like GE are what is needed to keep fees reasonable. Completing projects internally, like painting the pool, have saved a lot of money. Co-operation and team spirit by everyone involved has helped during this tough time.
 - E. Neal commented further on the affiliation with Expedia. Expedia developed a program for smaller properties. Although it has helped generate revenue, it also takes a lot of effort from the Front Desk Managers to make it work. Working with timeshare inventory isn't like working with hotel inventory. It takes a lot of monitoring.
 - F. Dick explained some of the history with the former developer and the deed problems that were inherited. Deeds can now be given out in most situations and if they can't, they will be able to when the next foreclosure is completed. He also mentioned that the Association had to get registered with the State before any weeks could be sold and this took some time too. Progress has been made over the years, but it is often slow.
 - G. Dick mentioned that timeshare is deeded real estate and can be passed on to an owner's heirs. He asked the seniors in the room to get their kids involved in coming to Causeway. There is a need to get the next generation involved.
6. Election of Directors – Three Board positions were up for election in 2015. Incumbents Steve Wagner and Dennis Nordstrand, and Ad Hoc Committee member Doug Weber were nominated. With three nominees for three Board positions, a motion was made and seconded to close nominations and cast a white ballot. The motion carried. Steve, Dennis, and Doug were elected to the Board.

Ad Hoc Committee members Rob Hanson, George Deliduka, Dennis Steele, and Gloria Williams were introduced.

7. Meeting Business:

- A. Steve explained some of what Roy Jensen does as the Chairperson of the House and Grounds Committee. He keeps track of everything. He categorizes everything and tries to get things done. Steve thanked Roy for all his efforts

- B. Neal reported that RCI is paying to have a professional video made, and pictures taken, of the resort next summer. This can be used to help market weeks or put on the website.
- C. Owners asked the Board to start using LED lights. Neal explained some of the difficulties with purchasing the more expensive lights. Theft was one concern. The pool building may be a good place to install LED or fluorescent lights.
- D. Neal clarified that management was supposed to receive a 3% fee increase in 2016. He didn't take it for any of the associations he manages to help them through this difficult time.
- E. A question was raised regarding roof replacement and exterior staining. Neither are scheduled yet. The Board is waiting to see how money comes in before allocating funds for necessary projects. Steve mentioned that the indoor pool could be closed in the summer to save money.
- F. It was explained that the dock didn't get repaired in 2015 because there was trouble getting a qualified contractor because of the bad storm that went through the area, and then because of money. The gazebo probably won't be replaced.
- G. An owner asked what percent of owners are actively paying fees. Approximately 70% of the owners are paying. However, there are a number of weeks owned by the Association, are owned by scam companies, or owned by the former developer so there really only is about 10% owner delinquencies.
- H. A suggestion was made to advertise intervals on EBay or social media.
- I. A question was raised about offering bonus weekend days (Friday – Sunday). The reservation side of it takes a lot of work and offering the weekend for that minimal of a price really isn't worth it. Bonus weeks works better than bonus days.
- J. Neal explained how GE's vacation club operates.
- K. An owner requested that the shower heads in the pool area be replaced.
- L. There was discussion regarding the legal foreclosure process.
- M. A motion was made and seconded to adjourn. The meeting adjourned.