

CAUSEWAY ON GULL ASSOCIATION, INC.

2012 ANNUAL OWNERS MEETING

November 18, 2012

The Minneapolis Marriott Northwest, Brooklyn Park MN

1. The meeting was called to order by Association President, Mark Nagel. Also present from the Board were Pat O'Hara, Gloria Williamson, Glen Johnson, Doug Johnson, Bob Edstrom, Terry Miller, Dennis Nordstrand, and Daryl Luthens. Ad Hoc Committee members present were Roy Jensen, Rob Hanson, Steve Wagner, Joe Lanz, Chuck Standfuss, and Laura Johnson. Legal Counsel, Dick Hawke, was also present.
2. A motion was made and seconded to approve the minutes of the November 20, 2011 Annual Meeting. The motion carried.
3. The President's report was presented by Mark Nagel. Mark reviewed the agenda for the meeting and reported on the following:
 - A. Mark discussed the financial challenges of the Association with the tough economy. Causeway is doing well compared to some other timeshare associations. The Association's line of credit at People's Bank seems to be getting used a little more each year, mainly because of delinquency. He added that the maintenance fees are due January 1st, annually, and not when you check in.
 - B. The RCI scores have bounce a bit between a Gold Crown and Silver Crown throughout the year, however Causeway did maintain Gold Crown status for 2013. Unit maintenance was the most difficult category for the resort to maintain.
 - C. Mark reported that a few golf carts were stolen this past summer because the keys were left in the carts. All were recovered, but one was not repairable. All of the carts used to be keyed the same but because the keys for the stolen carts were not recovered, they have all been keyed separately.
 - D. He commended the Narveson Management staff at Causeway. They have done a great job this year. He and the Office Manager, Carrie, have worked very well together.
 - E. Glen Johnson heads the House and Grounds Committee and does a great job. There is never a shortage of projects that need to be completed, there is usually a shortage of funds. Glen has helped prioritize projects and has completed a lot of work himself. He planted many trees this past year.
 - F. The windows were replaced on two units earlier this Fall. The Board will be prioritizing units for replacement moving forward.
 - G. The roof replacement project is continuing. A roof is being replaced in the Spring and Fall each year. Unit 3/4 will be replaced later this month. He added that the roof on the Marina building was replaced over the summer.
 - H. The Board has been reviewing bids to refurbish the outdoor pool. They hope to have the project completed in May 2013.
 - I. Pat O'Hara, heads up the Communication Committee. He has initiated a Facebook page in an effort to increase visibility to non-owners.
 - J. He announced that long time Board Member, Terry Miller, will not be seeking re-election this year. He thanked Terry for his dedication and time served on the Board of Directors.
 - K. The new resale company Vacation Ownership For Less (VOFL) has been a great collection tool this year. VOFL only handles timeshare resale's. Owners must be current, or on a viable payment plan to list their timeshare interval for sale. To date, approximately \$48,000 in past maintenance fees have been collected so owners could participate in this program.
 - L. Mark acknowledged past Board members who were in attendance at the meeting, and all of the new or first time owners at the meeting.

M. He also thanked owners for their comments and suggestions and indicated he would like the open communication to continue.

4. The Treasurer's report was presented by Dennis Nordstrand. Dennis reported that the financials are showing the Association is operating at a profit. There are 2616 annual and biannual owners generating enough revenue to operate, along with the line of credit that is available. The Board and Management are continually looking for additional ways to generate revenue. The Association currently has 302 intervals that can't be sold but can be rented or used as bonus weeks. The objective is to, at some point, be able to sell these intervals and have a new paying owner. Cash flow has been more of a concern this past year. VOFL has and should help continue to solve the problem. The Board struggled with increasing maintenance fees for 2013, but felt an extra effort was needed to sell or rent the Association intervals for another year instead of increasing fees. He explained that the budget is based on everyone paying their fees, however the Association is operating at about a 12 to 15 percent delinquency rate.

Dennis reported that scam companies are currently the biggest problem pushing delinquency. Some owners indicated that they have contacted the state Attorney General to report scam companies with no resolution. Owners were directed to report these companies to the Commerce Department. The Association has worked with the Commerce Department to re-register the Association so they could sell the Association intervals. Causeway was the first timeshare association to register in Minnesota. VOFL is also registered with the Commerce Department and they were very happy to have a legal, legitimate resale program available for owners. Owners suggested bringing the issue to a congressional level. Neal reported that some foreclosure changes were brought to legislature, and they passed quickly however he felt that issues such as these are more powerful when brought to state agencies or the Legislature by owners. A comment was made to include information about scam companies in a future newsletter.

A motion was made and seconded to accept the Treasurer's report. The motion carried.

5. Resort Operations – Neal Narveson from Narveson Management reported on the following:
 - A. VOFL is fully operational and has completed several resale transactions. The main office is located just outside the gates of Breezy Point. VOFL representatives are at Causeway weekly for coffee and rolls and are available by appointment if needed. He commented that owners continue to be the best representatives for resales and encouraged owners to let people know about the Association owned intervals that are available for sale. The Association is currently not allowing owners to trade in their existing interval on a new purchase.
 - B. An owner questioned if Neal was familiar with the lawsuit with RCI. He explained that it was in regard to RCI using Points and Weeks inventory (separate suits) for rentals by outside parties. Both suits were settled in favor of the plaintiff. There was a side note that the Association is not putting any inventory into the RCI system. RCI is not allowing for any bulk banking and there is not any benefit to do so.
 - C. Causeway Development still owns about 40 intervals which will be foreclosed. The foreclosure process takes about a year. Of the 300 plus intervals that were previously foreclosed, approximately 40 are not encumbered by another mortgage and will be registered and listed for sale. The Board is working on an agreement with Capital Source who has the mortgage on those intervals, so they can be sold.
 - D. Neal commented that the RCI Gold Crown Status is difficult to maintain because inbound guests have higher expectations. However, even though the resort has been both Gold Crown and Silver Crown, the trade value has not changed.
 - E. Some of the Association inventory will be offered as bonus weeks through May for \$400 per interval. The more prime weeks will be offered for public rental.

- F. Neal explained that the developer of the new GLRC units is bankrupt and the bank hasn't foreclosed yet. There has been some communication that the developer had wanted to sell the units as whole owned.
 - G. An owner commented that Timesharing Today has a lot of good information in it. It is an owner based publication.
 - H. It was clarified that if an interval is placed in the rental pool, owners are not contacted if the unit is rented. It is the owner's responsibility to contact the resort office to see if it was rented.
 - I. It was reported that the projects for 2013 include replastering the outdoor pool (including tile repairs), installing two new roofs, and purchasing new living room furniture for a few units. Staining and siding repairs will also be considered.
6. Election of Directors – Three Board positions were up for election in 2012. Nominees were incumbents Gloria Williamson and Dennis Nordstrand. Ad Hoc Committee member Steve Wagner was also 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. Gloria, Dennis, and Steve were elected to the Board.
7. Meeting Business:
- A. It was reported that the units have been changed to non-smoking. There is a \$500 penalty for violation of this policy. It was also mentioned that the \$500 amount is a set penalty includes violation of any resort policy (pets, parking, trailers, etc.)
 - B. Parking issues were discussed. Some units allow for one car and some for two. Vehicles are not allowed to park on the grass or on unpaved areas. Owners should check with the office if they are unsure how many vehicles are allowed to be parked at their unit.
 - C. The Association owned intervals can be sold with RCI Points. This may add value to what might be deemed a less desirable interval.
 - D. Owners commented on the following maintenance issues or improvement items during the meeting:
 - 1. The walkway by unit 16 down to the fire pit is eroding and should be looked at.
 - 2. Unit 4 had a musty smell and should be checked after the roof is replaced to make sure the smell is gone. Carpet was also ripped up around the entryway tile.
 - 3. The humidity controls in the hot tub room of unit 5 should be checked. The owner felt the wood was rotting.
 - 4. The shower drain in the women's bathroom at the indoor pool should be looked at.
 - 5. An owner asked the Board to consider putting in a beach area. They thought it was in the original plans.
 - 6. The parking area for the front desk/Marina gets congested with boats. This should be discussed with the marina owner.
 - E. There was discussion regarding trading with RCI.
 - F. It was clarified that all of the revenue from clothing and other items sold at the front desk goes to the Association.
8. A motion was made and seconded to adjourn. The meeting adjourned.