

Owner's Annual Meeting

November 21, 2004

The meeting was called to order at 3:10 p.m. by Dennis Steele, President of the Association. The Board of Directors was introduced. Richard Hawke was appointed parliamentarian and Roberts Rules of Order, Tenth Edition was adopted to govern the meeting.

The President reported that the indoor pool was built, but only after the Association and the Board got involved after construction had stopped midstream. The Association exercised its option to purchase Outlot A and used the equity otherwise going to the Developer to complete the pool. The President also reported that the Board signed a contract with Narveson Management Company to manage the resort next year, however the owner's meeting was delayed by discussion following Midwest Resorts informing the Board this morning that their financing was tied to having the management company contract. The negative consequences from that plus other threatened negative consequences had to be considered by the Board. The Board was concerned about conflicts of interest, changes of duties and procedures at the resort, which led them to going with an independent management company. Just before the annual meeting the Board received an offer from Midwest Resorts requesting another 10 months to manage the resort to determine whether or not Midwest Resorts could satisfy the concerns of the Board. The Board has not accepted said offer, but the Board did decide to seriously consider such offer and possibly reconsider its contract with Narveson Management Company. The Board needed to review what was best for the resort in the long run, however there was insufficient time to do that prior to the Owner's meeting and will be done later.

An owner questioned how the management company had the right to solicit proxies and attempt to overturn a decision of the Board. Mr. Steele explained that the management company was also the Developer and that by ownership of unsold weeks, the Developer is an owner and as such has the right to solicit proxies.

Thereupon Tom Kraus, Treasurer of the Association, was introduced and gave the financial report. The Association is in very good financial condition and thus far in the year the Association shows a profit of about \$154,000.00. The biggest concern this year has been the number of owners who are delinquent in their maintenance fees, which affects everyone. At the present time we have \$132,000.00 in outstanding maintenance fees, most of them are between one and one-half years old, however, most of them have made arrangements with the collection agency, Midwest Resorts and the Association to make payments on those maintenance fees. If maintenance fees are unpaid, the owner cannot use the week, they cannot bank it or trade it, and they cannot rent it out.

The sewer connections have now all been made and the resort is fully hooked up to the City of Lake Shore's sewer system. We were able to negotiate with the City to finance our connection fees with the City over 10 years at the same interest rate as the City was paying on their municipal bonds.

The Association is also making payments on its 30 year loan with which we acquired Outlot A, which includes the Sales building, the Marina and the check-in office of the Association. The Association was able to lock in a low interest rate on that. Basically, the increase in maintenance fees that we see for 2005 is for the additional payments to the City for the sewer connection.

The President opened the floor to a question and answer period. One owner questioned the number of units owned by the Developer and what maintenance fees they were paying on those unsold units. Kristie Lacey-Hause, CEO of the Developer, was introduced. The President explained that the question of maintenance fees due by the Developer was recently raised by legal research done in response to the proxy fight and that, in the opinion of the Association's attorney, the Developer should be paying full maintenance fees, which is not what has been paid in the past. Therefore, the Board had corrected the maintenance fees charged to the Developer for 2004, declared them in arrears and ineligible to vote at this meeting.

Another owner expressed confusion over the billing for the 2005 maintenance fees, to whom they should be paid and at what address. The President explained that the old management company was directed not to bill those maintenance fees, but they went out anyway. The President indicated that the Association will send out another billing and will track down the maintenance fees that had been paid regardless of where they go.

A question was asked about the exercise equipment that was provided in the new pool building, which all seems to either be broken or missing. The President explained that the equipment that was provided was not commercial grade and did not hold up under the use that they received. The equipment is therefore waiting to be replaced or repaired.

Ms. Lacey-Hause addressed the meeting to also respond to some of those questions. She explained the billing was sent out as it has been in previous years. They simply misunderstood as to whether or not they were supposed to send out the statements. She explained that the Developer has a little over 500 units in unsold inventory and that the policy prior to her involvement was for the Developer to pay a quarter of the maintenance fees for each unit that has not been sold and a turn fee of \$100.00 for any week that was used. The policy was continued on the assumption that it was correct. She says they are now in the process of doing legal research to determine what the outcome will be in view of the new opinion that the Developer should be paying full maintenance fees. This issue was just brought to her attention for the first time this morning. The Developer wants to work with the Association's Board to be fair and it is the Developer's intention to make it right. The goal is to benefit the resort and maintain the value of the property which will financially benefit both the Association and the Developer.

An owner requested getting minutes and financial statements from the Association every month. The President responded that the financial statements are posted on the Association's website and that it would be cost prohibitive to mail them to each owner by mail.

Another owner questioned the intentions of the Developer in pursuing the proxy fight. Was it the Developer's intention to elect its own slate of Board members? Ms. Lacey-Hause responded that it was not, and never has been, the intention of the Developer to elect its own slate of Board members. She pledged to vote the proxies she had in the same proportion as those members present voted. A question was raised over the allegation in one of the mailings that the Club Midwest benefits may be lost with the change in management companies. Ms. Lacey-Hause alleged that there was just such a problem with the change of property management at Breezy Point. Mr. Steele said that he did not understand that and that there should be no difference in making reservations between Club Midwest, RCI or the other exchange companies. Another owner indicated that he had worked at Breezy Point and just recently resigned from working for Midwest Resorts. He explained that the problem with Club Midwest and the bonus time and flex points at Breezy was that the new management company did not make the commitment to provide that benefit, was under no obligation to do so, nor did it have any incentive to provide the extra structure to do that and, unless there is good communication and a commitment on the part of the developer, that those benefits will not be provided.

The issues surrounding the concern on maintaining Gold Crown status was raised. Ms. Lacey-Hause explained that RCI is not specific on what exactly needs to be corrected, however it appeared that our ratings in maintenance had slipped, although not by a great deal. The President explained that while RCI does not solicit specific issues in its survey and report them to us, the Board is aware of complaints that have been made and that our House and Grounds Committee Chairman checks on the resort frequently.

A question was asked about a resale program. Ms. Lacey-Hause stated that the Developer has recently established a resale program offering a net listing arrangement for any interested owner. The option also exists for exchanging through RCI, II, and Midwest Club. Mr. Steele added that it is possible to run ads in the newspaper and that other brokers are available through the internet.

A question arose over the change in calendars as it affects week 52 and their bonus week that is scheduled under the original RCI calendar to be this year. Apparently the Interval International calendar is different and he has now been told that Midwest Resorts changed the calendar for Causeway. Ms. Lacey-Hause responded that she will have someone in their office research the issue. Mr. Steele indicated that the original RCI calendar is part of our Declaration of Covenants and Restrictions and therefore should carry some weight. This is something that the Developer is going to have to negotiate between II and RCI.

The meeting then moved to the consideration of the election of the Board of Directors. Rob Webb, counsel for Midwest Resorts, stated that Midwest Resorts would cast its proxy votes however the owners present voted. He further added that Midwest was not going to try to remove the entire Board. The nominees from the Ad Hoc Committee, David Brainerd and Bob Edstrom, as well as Tom Krause, who was up for re-election, were introduced. There were no nominations from the floor and Mrs. Lacey-Hause moved to elect the three nominated Directors, which was done unanimously.

A motion was made and seconded to direct the Board of Directors to rehire Midwest Resorts as the property manager for one more year and to fully inform the owners of the progress in resolving all issues as the year progressed. Mr. Web corrected the motion to read ten months as was offered by the Developer at the morning Board Meeting. Said motion was seconded. After some discussion, a motion was made to table said issue. The motion to table passed with one negative vote.

On motion duly made and seconded, the meeting was adjourned at 4:45 p.m.

(Minutes summarized by Richard D. Hawke from a transcript of said meeting).