

*This narrative overview is for informational purposes only.
A quorum was not present at this meeting.
These are not official minutes.*

MAJESTIC BEACH RESORT COMMUNITY ASSOCIATION, INC.
Narrative of the Annual Owners Meeting
November 3, 2007

Board Members Present:

Jimmy Lewis, President
Roy Miller, Vice President
Debra Ciano, Secretary
Anne Magdic, Treasurer
Gary Baker, Director
Ed Hickey, Director

Board Members Absent:

Greg Boyd, Director

Election Inspectors:

Carol Wise, Tower I – 501
Frances Milam, Tower I – 1601
Thomas Johnson, Tower I – 1303
Ginger Silva, Tower I – 1501
Mike Kain, Tower II – 1801
Randy Poe, Tower I – 2107

Management Present:

Andy Phillips, General Manager
Tom Sparks, VP of Associations
Mike Wray, Association Manager
Jack Vitello, Dir. of Security/Safety
Karen Hood, Assn. Accountant
Patti Hitt, Asst. Assn. Accountant
Wanda Horne, Executive Assistant
Danny Wilson, Maintenance Mgr.
Peggy Hennessy, Public Space Supv.
Sarah Griffith, Owner Svcs. Agent
Allison Wilkes, Owner Svcs. Agent

- I. ***Call to Order.*** Jimmy Lewis called the meeting to order at 10:00 A.M. Mr. Lewis announced that this was the Majestic Community Association's third annual meeting and thanked everyone for coming. Roy Miller made a motion to nominate Jimmy Lewis as Chairman of the meeting. Gary Baker seconded the motion. The motion carried by a unanimous vote of the membership.
- II. ***Election of the Inspectors of the Election.*** Mike Wray asked for six volunteers from the membership to oversee opening and counting of the ballots. Six people, who were neither candidates nor the spouse of a candidate, volunteered, and Mr. Wray briefed them on their duties.
- III. ***Determination of Quorum.*** Jimmy Lewis said that 84 units were represented at the meeting. According to the Majestic bylaws, in order to have a quorum and conduct official business, at least 175 units must be represented. However, not having a quorum did not affect the election of new Board members, since over 20 percent of the ballots were returned, as required by law.

- IV. ***Proof of Notice of Meeting.*** Debra Ciano confirmed that the first and second notices of election and the meeting agendas were mailed to the membership, and they were also posted on property, as required by Chapter 718, Florida Statutes.
- V. ***Introduction of Head Table.*** Jimmy Lewis, President, introduced everyone at the head table: Ed Hickey, Director; Debra Ciano, Secretary; Roy Miller, Vice President; Anne Magdic, Treasurer; Gary Baker, Director; and Mike Wray, Majestic Association Manager.
- VI. ***Manager's Report and Introduction of Staff Members.*** Mr. Wray pointed out that both towers are now fully operational and the resort has become a success. He said he met a new owner the other day who said she had gone up and down the beach with a realtor looking for a condo, and, by far, Majestic was the best one with the best amenities. He pointed out that last year the Association was turned over from the Developer to the owners, and the directors seated at the head table were the people elected last year to run the Association. He said the membership was extremely lucky to have this group of volunteers because they are very talented and dedicated, yet they get paid absolutely nothing for their time. He said it had been extremely enjoyable to work for them, and invited the owners to join him in giving the Board a round of applause. (Everyone applauded).

As part of the Association Management team, Mr. Wray said that he and his staff realize just how important it is to make sure the resort looks good, which helps to keep property values up. He introduced the staff members present: Sarah Griffith and Allison Wilkes, Owner Services Agents; Karen Hood, Association Accountant; Patti Hitt, Assistant Association Accountant; Jack Vitello, Director of Security/Safety; Wanda Horne, Tom Sparks' Executive Assistant; Tom Sparks, Vice President of Association Operations; Danny Wilson, Maintenance Manager; Ben Whigham, Maint Supervisor; and Peggy Hennessy, Public Space Supervisor.

He pointed out that there was a change in the security company earlier in 2007 when the previous security contractor notified the Association that it was closing on April 15th. Jack Vitello scrambled to find another security company and arranged for them to take over on April 16th. The new company retained most of the security officers that were with the other company. Majestic kept the same site supervisor and had a seamless turnover. Mr. Wray thanked Jack Vitello for his help in that.

Last year, we wired Tower II for trash compactors, but were hesitant to put them in, because we were not sure how many people we were going to have in Tower II. It became pretty evident toward the end of the year that we needed to go ahead and have compactors installed because we were not going to be able to just use the trash chutes without compacting. We called the waste management company and told them we needed compactors right away. They finally showed up in May and got the compactors installed just in time for Memorial Day weekend. So we are fine in both towers and are able to handle the load of people that come here.

Another matter that Jimmy Lewis and Harbert Construction resolved is the issue with power fluctuations in the Tower I elevators. With all of the construction going on, Gulf Power is having a hard time providing crystal clear power. So anytime we had any small fluctuation, the elevators would shut themselves down. The elevator manufacturer finally figured out what was causing the problem and performed a slight modification and now they are working fine. They were also able to engage an anti-nuisance feature.

Several painting projects were taken care of this year. The maintenance staff painted the lobby in Tower I after Spring Break and they have painted it several times since then. They just painted the Tower II lobby a couple weeks ago. We also had all the exterior doors on both towers painted recently. The Tower I front walls were also painted during that time. And they also painted the third floor in front of the activities building, as well as underneath the activities building. Next year, the Tower II front walls are scheduled to be painted. Bob Brian was the paint contractor and his company did an outstanding job. He is also a Majestic unit owner.

We also did some tile work on the east end elevator lobbies of Tower I, as well as the double elevator lobby in the activities building.

Weather wise now is the time to do some inside painting now. Starting next week the maintenance staff is going to be inside the 7-8, 9-10, and 11-12 stacks of Tower I painting the vestibules that are behind the common doors.

Jimmy Lewis thanked Mr. Wray for his report and stated the Board is committed to keeping Majestic up. He said that we are fortunate to have a strong, healthy Association financially and asked Anne Magdic to give the Treasurer's report.

- VII. ***Financial Report.*** Anne Magdic said the finances do look good for Majestic. Tower I, Tower II, and the Community Association all have separate budgets. We had a meeting recently where we did approve the 2008 budget. As you know, costs go up every year, and the 2008 budget did go up from 2007. The good news is that in 2007 we are actually going to come in under budget, and we are going to have some money left over. The Board voted to take the excess from 2007 and roll it into the 2008 budget, so all of our assessments will stay the same, even though our expenses are actually going up slightly. The reason we were able to do that is because the insurance policies came in less than we budgeted in 2007. We are putting money away in reserves – the reserve cash balances are: \$36,000 in Community Association; almost \$87,000 in Tower I; and almost \$60,000 in Tower II. The reserves are for the future when our buildings start getting older and we have to start looking at things like the roof and exterior painting of the buildings and such. In operating funds, we have \$200,000 in Tower II; \$166,000 in Tower I; and \$22,000 in Community Association. In accounts receivable, we have \$95,000 in Tower I and \$58,000 in Tower II. The policy here is that it is late

after 30 days, and after 60 days we go ahead and lien the unit. There are eight liens in Tower I and six liens in Tower II. We have had to file a foreclosure on two units in Tower I. That sounds like bad news, but in comparison to other associations, it is actually fairly healthy.

- VIII. ***President's Update.*** Jimmy Lewis began by thanking Andy Phillips, Tony Lucero, Danny Lyons, and their group. He said that they put on one heck of a party for the reception last night. (Everyone applauded).

I hope you all like the day that we chose for the meeting this year. In past years, it has been right before Christmas. A lot of people said that is too close to Christmas – we have parties at home and family obligations. You have to have these meetings in the autumn, because you have got to have your financial budget in, which requires a substantial part of the year to be behind you, so you can know where you are number wise, so it is always going to be in November and December. As a Board, we sort of arbitrarily picked this day, and in my infinite wisdom, it is the day of the Alabama-LSU game and I had to give my tickets away. Next year I am going to look at the football schedule first. (Everyone laughed). I realize we are going to all be impacted no matter what day we pick. So I hope this is good with everybody.

I want to reiterate what Mike said about Danny and Peggy and their group and Mike – these guys work so hard around here. They are good-natured and they're hard working. I want to underscore how tough it is to run this place. This time of year, it is easy, but in the spring and summer, it is really hard just to pick up the trash and clean up the spills. They have regular schedules for cleaning and the Board has increased the budget for cleaning personnel next year. We are doing everything we can to keep the place clean and picked up. We have added additional security guards during the spring and into the summer until about the first of August. We have added enough guards so that in peak times, there will be a guard in each tower, plus a rover, plus a guy on the beach to keep kids from throwing water balloons off the balconies. We are hoping the increased security will impact that some. We are doing the best we can to maintain peace and quiet and order. We are doing all this within the budget and without a dues increase.

Last year, we budgeted for pretty hefty insurance premiums based on all the information that was given to us. The insurance was probably 35-40 percent of the entire budget. When insurance goes up, we feel it immediately, so we budgeted for pretty heavy insurance premiums last year, which left us with some additional monies to do these projects with, so we can pay for the guards, cleaning, and painting without having to increase assessments. We have made it to November without any major storms impacting the U.S. We are not out of hurricane season yet, but all the signs are good so far. So we are anticipating some reduction in insurance costs next year. They are making so much money that it is going to make it a little more competitive and when that happens, we will be the beneficiaries. If that happens, then the Board will have to discuss what to

do with the windfall. My opinion is it should go into reserves. We are having good days now, but you never know when you are going to have a bad day.

Mike mentioned that we are going to be painting the breezeways in Tower II next year. I suspect we will paint the doors pretty much every year because there is so much wear and tear.

In the rental meeting yesterday, Andy Phillips was discussing the CRA, which is the Community Redevelopment Area. They are going to go through a good chunk of Panama City Beach and make a boulevard up and down Front Beach Road. The work going on now on Churchwell is part of the CRA. Where I am going with this is that the parking spaces in front of the two buildings were hard to come by with the City. They did not want us to put any parking spaces in front of the towers because it will eventually come in and take them back. The difference in the spaces between Tower I and II is that Tower I has drive-in parking and Tower II has parallel parking. In the year between when those two buildings were permitted, the City got either funding or approval for the roadway widening, which is going to be absolutely beautiful when it is done, but they are going to take a good piece of the shoulder of the road. So they forced us to go from straight-in parking at Tower I to parallel parking at Tower II. Bottom line is we have very few parking spaces in front of these two buildings and everybody wants to park there. We have had some problems with people parking there long-term, and by long-term, I mean overnight. Those spaces are really for people checking in, checking out or who might have a short errand to run. The Board passed a resolution in October 2006 addressing parking. In summary, it authorizes management to tow any vehicle that is parked in a 15-minute space for more than an hour. So I am asking that you guys help us with this. Parking is already limited, and it is going to get more limited as the City improves Front Beach Road.

A couple years ago, I tried real hard to put a building on the site next door where our friends – the tattoo artists and Salty's bar – reside. It so happened that they had a fire in the old motel and they tore it down. We have had ongoing battles with Salty's. They have a right to run their business, but there is a noise ordinance in this City, and I think if the noise is disturbing after 10 p.m., then they are in violation of that ordinance. I know that management and security have called the cops, and it is my understanding that they have actually hauled the DJ off to jail before. The City will take action, so I am asking that if you hear Salty's after 10 p.m., please call the cops. The more action we take, the more results we will get. Hopefully, someday, something else will be built there. I really thought I had it, but the market became such that we just could not build the building, but it is still in the long-term plans. Until then, I ask that you guys help us keep the pressure on them to not impact our sleep.

A couple of internal things – I have been in a lot of units the last six months or so responding to questions about air conditioners. Almost, without exception, I am

finding filters that have never been changed or have not been changed in the recent past. There were a number of units that had no filters at all. Please make sure you change your air conditioner filters on a regular basis. If not, it is going to clog your coils and cost you a whole lot more money than a cheap filter. The filters are a non-standard size. From what I understand, you cannot just go down to Wal-Mart and pick them up, so they may have to be special ordered. Either clean them or get something that fits because it will save you money. When you go away, do not turn your air off. We recommend that you keep it 74-75 degrees year-round to keep humidity out of the air.

There are some great things going on around here. You probably heard that the new airport broke ground day before yesterday. The redevelopment of Front Beach Road is a reality. Pier Park is under construction – we have national restaurants and chains here. Things are really on the up and up for Panama City Beach. Our mission is to keep Majestic on the forefront of everyone’s mind when they think of Panama City Beach. Even though there are thousands and thousands of units under construction here, as Andy Phillips said yesterday, we are the third largest market in the State of Florida. The one thing we want to make go away is Spring Break. It is my understanding that the TDC (Tourist Development Council) has cut the funding in half for Spring Break. There are probably twelve different rental companies that are actively renting units on site, and we ask that everyone apply as much pressure as possible to not rent to kids. The on-site management company has a policy of not renting to anyone who is under 25. The Board does not really have any control over it – we cannot tell you who to rent to and who not to rent to.

We welcome your input. This is your Association. This is your property. I appreciate everything the Board does. They work hard and they do it because they like it here, and I do it because I like it here. We welcome your input, and we want to hear from you. If there is anything at all that you need, contact Mike, Danny Wilson, or me. It is your place, so we want to hear from you.

IX. ***Reading of Questions from Owners.*** Jimmy Lewis read the written questions that were submitted by owners to the Board of Directors:

Question: In the event of a major hurricane where a service would be required to go in to individual units and pull out linens, etc., so as not to cause further damage to walls, ceiling and flooring, is there a service that would come to Majestic and would we be a priority? After a major hurricane, it is hard to find anybody to do anything. Mike Wray responded that there are a number of companies in town that give sales pitches that say if you have them do this or that for the association, they will always be there for you the minute a storm hits. He said the Association consistently deals with a couple of vendors that should be able to offer that service to a private owner. One of them is a restoration company that cleans the carpets in the walkovers a couple times a week, and the other company cleans the carpets in the activities building and they also perform restoration. So we have an

“in” with a couple of restoration companies already, and we should get preferred service from them should anything happen. The Association can help as much as the Board directs us to do that, but there are going to be a lot of things going on after a storm. If it gets to that point, the pools and buildings are going to be in bad shape. We can publish the telephone numbers for these companies and you can contact them to do that for you, or you can make arrangements to come down yourself and do it for your own unit. Mr. Lewis said basically the inside of your unit is your responsibility, but he has found that after storms everybody shows up to help, they just want to be paid for it.

Along the lines of hurricane preparedness, Mr. Lewis stated that Florida law requires that an association allow hurricane protection devices. The law allows the association to stipulate what those devices are. In South Florida, you see hurricane shutters a lot. He does not like them because they are unattractive and do not open or close when you need them to. About a year or so ago, the Board adopted a policy that allows you to install a product that is basically a screen and it is something the owner pays for out of pocket. It anchors to the floor and ceiling slabs of the balcony, and it basically screens your unit. If anything hits it, it should deflect it. To some degree, it may even help keep water and rain out. The rule is basically that you can put them up in the face of an advancing storm and then you have to take them down within a week after the storm goes away.

Question: An owner wrote in about light and noise pollution -- can the H2O grill lights be turned off at night? Mr. Lewis said I suspect not – I suspect it is a safety issue. Apparently it is impacting someone’s balcony. I guess we could look into it, but if you turn off the lights and have a trip and fall, then you have a lawsuit. Mr. Lewis asked Andy Phillips if he could look into that.

Question: The next comment is that the chlorination system for the pools makes a terrible noise. Mr. Lewis said that he heard the announcer from the Triathlon down the beach earlier this morning and got up and got some earplugs and went back to bed. That is not a good answer, but it is all he can offer at the moment.

Question: An owner asked about capital expenditures – capital expenses outside of the quarterly assessments seem high for a newer property like Majestic. Please address the nature of these expenses and some potential cost-cutting solutions. Mr. Lewis presumed the owner was referring to the painting and some other things the Board has done to keep the place up. He said that issue had already been addressed and we have been able to do the work inside the dues structure and it is going to be an ongoing expense. He is not aware of any capital waste.

An owner sent in a question asking if there anything we can do with the City to control the noise level at Salty’s after a certain time. That issue has already been addressed: The answer is yes, call the cops. Please do it early. Please do it often.

An owner wrote in that she already had to replace the water heater because it was leaking. She said the hot water heater above her unit also leaked and caused damage. Mr. Lewis said that water heaters are under manufacturer's warranty – if yours leaks you need to put in a warranty request. If it is leaking it is probably a bad pipefitting. I can tell you that Harbert Construction went to every unit in Tower II over the summer and worked on shower pans. They had some issues with those, and they have repaired every unit in Tower II. If your water heater leaks, call Mike and he can tell you how to submit a warranty request to the contractor.

An owner wrote in that it is not clean here. As I discussed earlier, these guys are working as hard as they can, and we have added additional cleaners.

A question was sent in about parking in front of the towers which has already been addressed.

Another written question: Why can't we have a better cleaning company? Mr. Lewis stated the cleaning company is us. It is a management function and we have full-time employees. It is hard to keep people here.

Question referring to construction pile behind Tower II: Mr. Lewis stated that there are some rocks in the sand in the dune area behind Tower II. He put \$50,000 worth of sand on top of those rocks and a lot of it blew away. There is some smaller gravel in there, but that gravel is what holds the sand together. We intentionally left some of it. There is still some construction debris down there, but the gravel holds those dunes in place. When we have more sea oats in front of Tower II, that stuff will all go away and the sand will start to accrue. When water hits it, it will solidify enough that it should help the issue. As for the area between the two buildings, it is a public walkway. Sea oats have been hard to come by, but we are going to plant additional sea oats in front of Tower II as soon as we can get them on site. Last year you could not buy them at all due to the high demand.

Question about holding functions in the lobby of Tower II: Some of you probably saw where they served dinner to the Triathlon people there last night. We had the big conference room reserved last night for the owners' reception, so there was no choice but to use that space. That group rented a lot of rooms here, so it brought in a nice piece of business. I discussed it with Andy Phillips, and we will do everything we can to not hold functions there.

X. ***Owners that Requested to Speak.***

Chuck McClure – Mr. McClure said we thank you for speaking about Spring Break – that is a concern of ours, particularly, when you get young kids over here that just do not respect property.

We bring our motorcycles sometimes when we come down, and sometimes we run into problems being able to park underneath the activities building, and I would like to get some verification as to who is allowed to park there and when. Jimmy Lewis said it is really reserved for valet parking, which we have had sporadically during peak season. There are times when it is not available. It is more or less controlled by the Services Company. Mr. Lewis asked Andy Phillips to explain further. Andy said he would consider requests to park trailers under there on a case-by-case basis.

Mr. McClure asked who the best person is to go to when you have questions. Mr. Lewis said that Mike Wray is always the first point of contact. He is here everyday and knows this place inside and out. He is the Association Manager. If you have additional questions or want to talk about something, you can always call me or any other Board member. Also, Board meetings are open to all owners and we would be glad to have you attend.

Mr. Lewis said you probably noticed in the parking garage some signs that say 'private parking.' At the last Board meeting, we voted to allow those of you who own a reserved space to put up a sign that says 'this space is private' or 'reserved for Unit 101.' It would be at your expense, but you can put them up.

Mike Wray said there was an incident recently where someone called the towing company that was listed on the sign posted in the garage only to find out that the company had gone out of business. He said that recently the State prosecutor went after many of the towing companies in town, and some of them have gone out of business as a result, and we did not know that. We have a new towing company and new signs are up. If you call and find out it is out of business, please notify Owner Services. Regarding Mr. McClure's issue about having questions, the owner's web site is at www.mbrowners.com and contains lots of information inside the private owner's area. It may not hold answers to all your questions, but it is an excellent place to start if you are seeking information.

Sammy Pegram – Mr. Pegram asked if a homeowner had the right to place a boot around the tire of a car parked in a private space. Mr. Lewis said if it is your reserved space, then it is your property, so you have the right to have the car towed. However, you are assuming the liability that goes along with that. A better course of action would be to contact Security and see if Security can find out who owns the vehicle and get them to move it immediately.

An owner asked why there is a charge to use the exercise room. Mr. Lewis said it is an amenity all the owners and their immediate families can use at no charge. That exercise room was paid for and is maintained by the Services Company. Funding does not come out of the Association budget. As a benefit, the Services Company grants the privilege to all owners and their immediate families to use it free of charge, but it obviously costs money to run it. It is not part of the Association budget, so somebody has to pay for it. If you rent your unit through

the onsite rental company, then the guest pays for it through their rental fees, which helps to fund the operation. If you rent through another rental company, then there is obviously no means to collect a resort fee to fund the operation, so those guests pay at the counter. Either way the renters pay for it, not the owners.

Randy Poe said that he had a recommendation in regards to Spring Break. He is concerned that someone is going to get hurt. His daughter almost got hit by a beer bottle thrown from the building, and he saw little babies with knots on their heads from being hit by objects thrown from the building. Is there any way at check in where we can make the customer sign a document saying ‘if you are caught, you are gone’? Mr. Lewis said that he does not know how many rental companies operated here – he only knew about the one that is onsite. During peak season, we have two guards for the buildings, one rover, and one to stay out on the beach and look back at the buildings to keep that from happening. Part of the problem is that mom and dad will come check their kids in and then go to Destin. It is hard to control. Mr. Poe suggested that each owner sign a document stating ‘you are responsible to live by the rules of this Association, and if you allow kids who are under 25 to come here and disrespect the property then you are responsible for them, and if they do something wrong, you will be gone.’ Mr. Lewis said that is a question for the Association’s attorney, Brian Hess, who is not in attendance.

- XI. ***Discussion of Any Other Community Association Business.*** There was no other business to discuss.
- XII. ***Election Results.*** Before announcing the election results Jimmy Lewis thanked the current Board for their service, as well as all the owners who ran as candidates for the Board. He encouraged them to please run again, if they do not win this time. He then announced that the Board members elected for calendar year 2008 are Debra Ciano and Anne Magdic.
- XIII. ***Announcement of Board Meeting to Elect Officers.*** Jimmy Lewis announced that there would be an organizational meeting of the new Board immediately after the annual meeting adjourns to elect officers. All are welcome to attend. However, it will only last a few minutes. The only agenda item is to elect the officers of the Association for 2008.
- XIV. ***Adjournment.*** Charles Pack moved to adjourn the meeting. Jim Wellinghoff seconded the motion. The motion carried by unanimous vote. The meeting was adjourned at 11:35 am.