

**PIRATES COVE TOWNHOUSE COUNCIL II  
MINUTES OF THE ANNUAL MEMBERS MEETING**

The annual meeting of the Pirates Cove Townhouse Council II (“PCTHCII”) was held on November 18, 2008 at the Forum at Memorial Woods in Houston, TX. Virginia (“Ginny”) Appelt, President called the meeting to order at 6:05 p.m. Ginny Appelt, Lorene Oglesby and Pat Villarreal were in attendance and a quorum was established (10% of votes entitled to be cast at such meeting). Tim Towner of Sandcastle Industries, Inc. was also present.

Minutes from the previous meeting were reviewed.

Upon Motion duly made by Deborah DeWaal and seconded by Cindy Knight, the following resolution was unanimously adopted.

Resolved that, the Minutes of September 8, 2007 were approved as presented.

Discussion was held concerning the election of a Director. The election of a Director was by acclamation.

Upon Motion duly made by Leo Oglesby and seconded by Bill Villarreal; the following resolution was unanimously adopted.

Resolved that, the election of a Director was by acclamation.

Ginny Appelt was re-elected and continues as President of Council II.

Discussion was held concerning the financial statements of Council II presented as of October 31, 2008 as well as the calendar year ended December 31, 2007 related to a major expense item related to the recent Hurricane IKE uninsured casualty losses. The board previously determined the need for a Special Operation Fee of \$625.00 levied on each fractional owner to offset a \$5000.00 special assessment levied on each townhome unit by the PCTH Association (HOA) to cover uninsured losses. Council II is also responsible for the repair required to the interior non-elevated floor and the cost attributed to such reconstruction estimated at \$6,000 – \$8,000 per unit. As cost are incurred, the board will determine whether the current reserves would cover such repairs without additional special operation fee or whether these costs will be passed on, in whole or in part, to the ownership.

The 2009 budget was presented that included approximately a 5% increase in the monthly maintenance fee for all units effective January 1, 2009. Discussion followed that included reasons for the increase (insurance, HOA maintenance fee, management fee, DSL and utilities) as well as how long the current rates have been in effect without any increase. The budget was adopted that included the increased maintenance fees.

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Discussion was held regarding the current condition of the units and what needs to be completed for heavy maintenance that can be undertaken during this temporary closure period with the intention of reopening the timeshare units for occupancy by end of December 2008 allowing occupancy during the annual extended maintenance period the first two weeks of 2009.

Ken Jayne asked for clarification of the previous proposal made by the Galveston Country Club (“GCC”) board to reduce the requirement of each eight share owner to maintain a social membership and advised the membership that he had discontinued his compulsory GCC membership and recommended that the board make this information available to those owners not wanting to utilize the facilities of GCC.

There being no further business to discuss, the meeting was adjourned.

Minutes by: Tim Towner  
Secretary

Date: November 18, 2008