

**CAROLINIAN RESORT HOMEOWNERS' ASSOCIATION, INC.
ANNUAL MEETING
FEBRUARY 10, 2006**

MINUTES

The second annual meeting of the Carolinian Resort Homeowner's Association, Inc. ("HOA") was held on February 10, 2006 at 10:00 at Magnolia's Restaurant Conference Center at 2605 North Ocean Blvd., Myrtle Beach, South Carolina.

All present received an agenda, minutes from the last annual meeting and copies of the annual audit report for the period ending December 31, 2005.

Mr. Bert Anderson, Director and President of the HOA, called the meeting to order and introduced the following:

Loyd Daniel, Director and Vice President of the HOA
Patrick Lowe, Director and Secretary/Director of the HOA

Lee Rawcliffe and Paul Lohman of Resort Association Management, Inc., the property management company

Frans Mustert, President of Patricia Resorts, the rental management Company,
Michael Campbell, General Manager of the Resort and also with Patricia Resorts
Aaron Harrison, CPA, the HOA's independent auditor

Mr. Lohman presented a Proof of Notice certifying that the notice of the meeting was properly mailed in accordance with the HOA Bylaws. He also stated that there was a quorum for the meeting.

Mr. Harrison presented the audit report and financial statements as of 12-31-05. His audit report contained an unqualified opinion on the financial statements as of 12-31-05. He noted that the HOA had \$28,568 in its reserve account. The HOA purchased security equipment, pool furniture and trash containers that amounted to \$45,820 that was capitalized on the balance sheet. He pointed out that the HOA operated at a \$64,981 deficit of revenues over expenses for the year and that the members' equity on the balance sheet was a negative \$9,649. He stated this was not a serious problem at this time. Because expenses were in excess of revenues during the first part of the year, the HOA increased the regular monthly HOA fees effective August 1, 2005. Mr. Daniel mentioned that it was necessary to increase security coverage. Other costs were higher than anticipated. Mr. Daniel gave an in-depth analysis of the insurance industry and commented that he has seen some premiums go up as much as 40%. He said there may be a special assessment in April

depending on the new insurance premium He noted that with Bluegreen soon to be in full operation that there may be some savings of shared costs such as security, maintenance and pool care. Mr. Anderson noted that security was strengthened for biker weeks. The very lay out of the property with a parking garage on the third row increases security costs also. The security cameras installed are state of the art web based and can be monitored from anywhere there is inter net. The parking garage does have a camera. Mr. Daniel commented that the timeshare building has its own HOA. They take care of the costs of their amenities and the Carolinian takes care of the costs of its amenities. Each HOA can use the other HOA's amenities. A homeowner asked if plans were to increase the funding of the reserves. Mr. Lohman stated that the August 1 budget included additional funding of the reserves.

Several rental questions arose that were deferred to a rental meeting to be held after the HOA meeting and at the reception tonight at 6:00.

Mr. Rawcliffe gave an update on the property. Most items have already been discussed. He did add that the HOA has been putting up and taking down some of the pool enclosures depending on the season as required by the City of Myrtle Beach. This cost has recently been renegotiated at lower cost to the HOA. He commented that he was hoping that the high cost of insurance premiums was an anomaly. Mr. Rawcliffe stated that the marine environment has a detrimental effect on machinery etc. Mr. Anderson added that the Board is researching different lighting such as enclosed LED to deal better with the marine environment. An owner mentioned that the pool temperature was always cold including the lazy river. Management indicated they would research the matter. Mr. Campbell indicated that there was a heater that had burned out but has been replaced. The owner requested that this needs immediate attention and wanted a response in the minutes regarding the fix for the cold pool water problem. (All issues relating to the heaters were subsequently resolved.)

An owner asked about plans to move the exercise room or to make it bigger. Mr. Daniel indicated that the Board was looking into better use of space throughout the building and will consider the issue.

AND

An owner inquired about the covered walkway between the registration building and the condo building as mentioned in the prior year's minutes. He suggested umbrellas during raining periods. Mr. Lowe volunteered to take on this project.

An owner stated that he was told by front desk not to use the new Bluegreen garage. Mr. Campbell indicated that this could have been a temporary matter while Bluegreen was unloading its furniture and fixtures for the new units.

Mr. Daniel gave an update on construction status. He mentioned that the Bluegreen building is now complete. He indicated this would be a benefit to the HOA as he mentioned in last year's meeting.

The parking deck is available and so is the third row parking. Room keys will be utilized to allow access to the parking garages. If the garage is full, a sign will automatically come on to that effect to avoid excess traffic going in and out of the garage.

The project to bury the wires for the utilities will not be completed until late 2006 or early 2007.

The third row has 86 parking spaces behind the Anderson Inn.

He mentioned that the Carolinian Hotel is entering into an agreement with the Anderson Inn to build more deck parking with the Anderson parking plans.

An owner asked what the Bluegreen amenities included. Mr. Daniel mentioned that they have a plaza level that included views of the ocean, a swimming pool and hot tubs. Other space may include a game room.

Mr. Mustert stated that yearly owner passes will not be issued but that passes can be picked up at the front desk that will be updated monthly.

Questions arose regarding the appearance of 26th Avenue. Mr. Daniel indicated that 26th avenue will be part of the streetscape. Mr. Anderson indicated that the cost of underground utilities would not be borne by the HOA.

An owner requested that the 15- minute check-in parking spaces be monitored. They are being used for long-term parking. Final authorized parking areas need to be supplied to all owners and guests. The angled parking spaces near the Sail Inn are owned by the City but are leased to the Sail Inn. Metered spaces are also available.

An owner requested when a director will be added to the Board. (This matter was subsequently researched and it was determined that an additional director will be added to the Board. The director will be elected by the voting members other than the Class II Member-which is the Grantor. Thus the Board will be comprised of 4 Directors).

A motion was made and seconded to accept the prior year's annual meeting minutes. The motion was unanimously approved.

An owner requested that a method be established whereby owners can communicate with each other. It was recommended that a web site be established. Patrick Lowe indicated that it would be researched. An answer will be forthcoming in approximately two months.

There was a request made from an owner that both the HOA meeting and the rental meeting be schedule back to back on the same day. An owner also requested that audit reports be distributed by mail at least one week before the meeting.

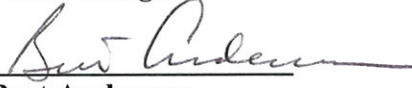
There being no other business to conduct, it was unanimously agreed to adjourn at 11:35 A.M.

Respectfully submitted:



Patrick Lowe
Secretary/Treasurer

Acknowledged:



Bert Anderson
President