

Island Inn News

President's Report to Island Inn Shareholders

Vol. 3, No. 1, Summer 2012



Historic Resort Since 1895
Sanibel Island, Florida

Finance:

Thanks to the teamwork of our General Manager, Chris Davison and Vice President of Administration and Finance, Steve Hatfield, the Island Inn Resort compiled another record year of sales. The chart below traces sales improvements since 2010 when new management harnessed the internet and improved front office operations. Chris meets with the entire Island Inn staff weekly to review what was done well and what needs improvement. Because so much maintenance was deferred, campus unit restoration and landscaping programs will be ongoing. Much of that effort is focused on infrastructure repair and can't be appreciated by our guests since it involves replacement of deteriorated underground pipes, inadequate electrical panels and termite remediation.

May Revenue

2012	\$245,454	23.6% increase
2011	\$198,500	87.7% increase
2010	\$105,730	

Year End Revenue

2011-2012	\$2,983,460	32.3% increase
2010-2011	\$2,254,125	36.4% increase
2009-2010	\$1,652,397	

Unit Improvements:

A bit of history was uncovered when the original drawings for the construction of Starky Lodge were reviewed and it was discovered that porches on each of the eight units were planned, but for some reason failed to materialize. Consequently the largest units on the campus were handicapped because guests preferred screened-in porches so they could enjoy the gentle Gulf breezes. Plans are currently underway to remedy this shortcoming. Spacious porches are planned for addition this Fall along with significant improvements to bathrooms, kitchens and supporting electrical

wiring and plumbing—and the porches on the first floor will permit direct access to the beach.

Historical Preservation Theme:

The Board of Directors, cognizant of the original preservation themes of the founding incorporators, is focusing on restoring the campus and highlighting the Inn's historical significance. The first modest step in that direction was the redesign of the old maintenance shed which was clearly the most deteriorated building on the campus. It has been completely restored in the Olde Florida style and is now one of the most attractive buildings on the campus.



Before



After

During the next 3-5 years the Board of Directors will consider the historical restoration of Matthews and Phister Cottages to reflect the Olde Florida appearance. In the meantime, a plaque will be commissioned detailing the historical significance of the Matthews Cottage and the continued involvement of the Bailey family. Also on the drawing board for consideration is the restoration of one of the oldest structures which currently houses the laundry. Even though it is located at the entryway to the campus, it is surrounded by vegetation that obscures its presence. All three of these buildings are covered with vinyl siding which has become brittle because of the harsh Island sun, salt air and wind, but underneath is

wooden lap siding that can be restored and further advance the historical theme—but in a modern setting. When completed, the Board hopes the entire campus will reflect a time remembered only by our original shareholders and other longtime guests. While much has changed, the Island Inn continues to focus on creating unique and memorable guest experiences by capitalizing on its spacious campus and historical roots.

Shorebirds and Seagrapes:

Shorebirds and Seagrapes: The Island Inn 1895-1995 was published in 1995 by the late Sharon Doremus (Shannie) to commemorate the first hundred years of the Inn. It is now out of print. *Shorebirds* carefully and lovingly chronicled the ups and downs and the early history of Island Inn. Without Shannie's timely and diligent research, much of the Inn's history would have been lost. Shannie's husband, Rich, has graciously transferred the publication rights to the Inn so it can reissue and distribute this wonderful chronicle. Once the legal arrangements for the transfer are completed, the plan is to re-publish and distribute the book to shareholders, new shareholders and guests of the Inn.

Special Loyalty Discount Offer:

Room occupancy is between 80-90% which means last minute reservations are now a thing of the past; however the Inn is offering shareholders and longtime guests an opportunity to participate in the Loyalty Discount Program. Discounts are 25% for both rooms AND cottages!

Discount dates are just before Christmas and the weeks before, during and after the annual meeting of shareholders on Monday, January 14th. Please reserve now! Loyalty Discount dates are:

- December 9, 2012 through December 20, 2012 &
- January 2, 2013 through January 24, 2013.

This is a telephone only offer and is NOT available on our website and is NOT transferable.

Please refer to the Loyalty Promotion when making reservations.
Call (800) 851-5088 for details, questions and reservations

Theme Programs:

The Inn is exploring the introduction of theme program packages to enable guests with interests in shelling, birds, photography, etc to join local experts in those fields. Programs packages could be scheduled for 3-5 days and include lectures, field trips and a program closing dinner at Traditions. Because guest rooms are already reserved for the next several months, this program could not be launched until early next year. Shareholders will receive early registration notification and a loyalty discount.

Traditions on the Beach:

The hottest place on the Island for fine dining and dancing is Traditions on the Beach—after a recent visit; one shareholder reported “dancing his legs off.” As many of you may remember, once-upon-a-time, dinners featured limited main course selections, canned vegetables and those unforgettable Kadota figs. While Jack Van Bell's recipe for Key Lime pie was spectacular, the Inn continued to lose money on restaurant operations. Since leasing the space to Andrea, the evening meals have become noteworthy and Traditions is now the leading dinner and dancing destination on the Island--and the Inn stopped losing money. Most nights during the winter season, reservations are necessary. Traditions was selected by the Sanibel-Captiva Chamber of Commerce as the “Best New Business” for 2011. The agreement is in its second year of a three-year lease.

Shareholder Matters:

After a careful effort by Steve Hatfield, our Vice President of Administration and Finance, shareholder records have been systematically reviewed. For those shareholders who have yet to provide the information necessary to update the Inn's records, you are encouraged to contact Steve at your earliest convenience so that he can finish updating all issued shares. This exercise has encouraged a number of shareholders to add additional family members to their share certificates. Information on how to initiate that process is included below.

Only one share is unaccounted for: Eric Stroh. We would appreciate any information that would help us locate his widow or estate.

As mentioned in previous newsletters, the process for adding additional family members to a certificate has been relaxed and it is no longer necessary to provide letters of recommendation or fulfill the residency requirements. However, because the Island Inn Company stock does not trade in an open market, certain legal forms must be completed to comply with state and federal laws. If you wish to add a family member, please complete and return the form below to receive an information packet and instructions to initiate the process.

NOTE: As was discussed at an annual meeting a few years ago, all current shareholders may purchase additional shares—even though they remain entitled to only one vote on issues placed before shareholders. The purchase of shares and the Company's right of first refusal are detailed in article 6 of the bylaws. Only a few shares are currently available.

Tid-Bits:

- The Inn's General Manger, **Chris Davison**, was recently elected to serve on the Sanibel-Captiva Chamber of Commerce Board of Directors.
- Newly elected Island Inn Board member, **Richard Johnson**, of Bailey's General Store is a previous Chamber President.
- During the past six months, the Island Inn has hosted **15 beachfront weddings** and family reunions. In fact, one wedding was conducted so that the parents who could not travel were able to see the ceremony using the Island Inn's live web-cam. The web-cam streams live video in smooth real time rather than 3 second delays. Please visit the Inn's website and see for yourself.
- **Legacies on the Board:** Of the 9 members of the Island Inn Board of Directors, 8 are second or third generation legacies of early shareholders and directors. Ralph Scott (**Madeline Shaw**), Richard Johnson (**Francis Bailey**), Pat Yankus (**Howard Lee**), Rachel Brady (**Howard Buhse**), Burke Wood (**J. Howard**

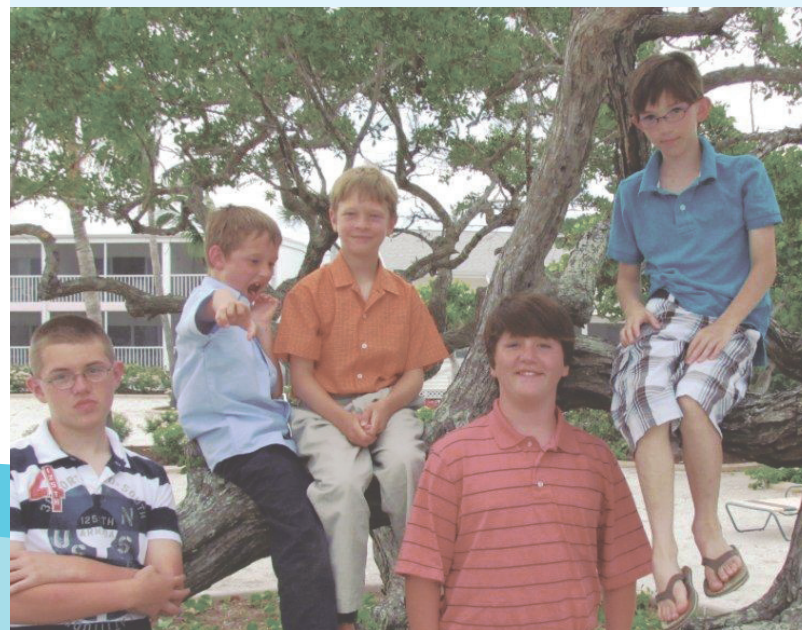
Wood), Mead Treadwell (**Caroline Porter**), Betsy Jollay (**Marian Cummins**), Merrell Rushworth (**Jack Rushworth**). Only Sherie Brezina, Director of the Florida Gulf Coast University Resort and Hospitality Management program is not a legacy.

- During the past several months, guest evaluations of the Inn, particularly the helpfulness and enthusiasm of the staff continue to improve and receive strong accolades on Trip Advisor. General Manager Chris Davison responds to almost every review and thanks guests for their comments and suggestions. http://www.tripadvisor.com/Hotel_Review-g34616-d251966-Reviews-Island_Inn-Sanibel_Island_Florida.html

President's Message:

The Board of Directors and the management team are diligently working to improve and preserve the campus by respecting the many traditions that, in 1957, motivated a small band of visionary incorporators to buy the property from Charlotta Matthews. They, and their successors, recognized that the Island Inn was and could be something very special to their children, grandchildren and beyond. The Board wishes to thank our loyal shareholders who remember this mission and support the continuation of that vision.

Sincerely,
Joe Orndorff,
President and CEO
The Island Inn Company



ADDING NAMES TO YOUR CERTIFICATE: Many shareholders have indicated a desire to add a family member to their certificates. The board of directors has streamlined the application process as much as possible to accommodate this process and will offer it FREE because the VP of Administration, Steve Hatfield, rather than attorney David Platt, will process, acknowledge, & track applications and answer questions concerning transfers and sale of shares. All requests and questions must be provided in writing to insure each request or question is properly tracked and resolved promptly.

REQUIREMENTS: The maximum number of shareholders listed on a certificate is three. The first named on the certificate is the *only individual authorized to vote* the share at the annual meeting. Each prospective shareowner must complete the necessary Application and the associated forms (Parts 1 & 2, sign the Certification and Appendix A) so that proper stock registration may be completed and comply with Minnesota and SEC legal requirements. These forms will be provided upon request OR may be found on the Island Inn *Shareholders Only* webpage. Click Here To View Shareholder Only Webpage. NOTE: User name is: **sanibel** and the password is: **island**.

Application materials will be emailed or mailed upon request. Because the Island Inn is a traditional C Corporation organized in Minnesota and not a membership club, there are specific requirements for share transfers. Transfers are governed by Section VI of the Island Inn bylaws, as amended.

PROCESS: Initiate the process by notifying the Inn of your intent using the form below, then have the person/s to be added to your certificate complete and submit the necessary information [Parts 1 & 2, Certification and Appendix A]. Completed documents are: (1) received and date and time stamped by the Inn, (2) applications are considered by the board of directors, (3) approved names are added to your certificate and the directory maintained by the Island Inn.

Notification of Intent to Add Name to Island Inn Share Certificate
This is a formal request to receive the forms necessary to initiate the transfer process

I, _____ the legal owner of Island Inn share number _____ wish to add the individual/s listed below to my certificate as a Joint Tenant with Rights of Survivorship (JTWROS). Please send me the necessary forms. NOTE: Only three names may be included on an Island Inn certificate.

Signed: _____ Date: _____

My current mailing address is: _____

Phone Number: _____ email: _____

Second Named: _____, Relationship: _____

Phone Number: _____ email: _____

Third Named: _____, Relationship: _____

Phone Number: _____ email: _____

Return all completed Application materials to:
Island Inn Shareholder Relations
Attention: Steve Hatfield
P.O. Box 659
Sanibel Island, FL 33957

<i>FOR OFFICE USE ONLY</i>	<i>Form date: 6.6.2012</i>
Copy to Inn: _____	
Board Action: _____	
Recorded: _____	