

## **REQUIRES URGENT ACTION**

### **MARINER'S POINTE INTERVAL OWNER'S ASSOCIATION, INC.**

Universal Services Corporation, as Managing Agent for MPIOA, Inc.

MPIOA: Post Office Box 2869, Crossville, TN 38557, Phone: 1-800-960-6676, Fax: 931-484-0609

March 25, 2016

MPIOA Account No: \_\_\_\_\_

Mr. John Doe Member

Address

City State Zip

Dear MPIOA Interval Owner:

**NOTICE!** With regret, I must inform you the response to the billing for the MPIOA's annual maintenance fees is not sufficient to fund resort operations for 2016. As previously discussed, the timeshare industry's progressively evolving business paradigm continues to negatively impact the deeded owners of many legacy resorts. Your Association is now experiencing the result. This letter is to inform you of your Association's circumstance and the options available to you as an Association deeded owner.

The 'due date' for the 2016 fees and property taxes occurred January 1st. Unfortunately, when receivables for 2016's operations were first analyzed, **only 405 accounts were appropriately responsive** by maintaining a 'zero' balance (or credit balance) by the due date. As of 60 days from the due date (45-days after the Past-Due date), a total of **710** accounts were considered 'Active' for 2016 operations, of which 48 remain delinquent at some level. **These 710 accounts represent only 53% of typical operations expense.**

The total unit inventory includes 2,346 unit intervals and 46 maintenance intervals (2,392) broken down as:

- Deeded interval accounts considered 'write-offs' or seriously delinquent \_\_\_\_\_ = **685**
  - Of the 710 'Active' accounts, those with a 'Current' status totals \_\_\_\_\_ = **662**
  - The Association holds interval deeds to an additional \_\_\_\_\_ = **997**
  - 'Active' deeded accounts in delinquent status \_\_\_\_\_ = **48**
- Total 2,392**

There are 685 'write-off' accounts accumulated after the last Foreclosure process on past due accounts as of March, 2013. Since there was no compelling reason to fund further foreclosure expense (lack of sales demand due to the paradigm shift in the industry), the rental of open units became the alternative when sales declined sharply after deeded ownership began its evolution toward 'Points', as apparently demanded by the current culture of leisure travelers, and as discussed in detail in prior communications. After 60 days from the 'due date', the association could identify only 662 member accounts (only 66% of the forecast accounts, 47.5% of total owner's accounts) supporting resort operations. After reviewing active member accounts for 2015/2016, the Association has ***lost the support of approximately 500 accounts since November 16th of the 2015 budget year***, which reflects ***an attrition rate of about 43.2% over the past 100 days. Bottom line? Having so few members has exponentially increased the amount of member dollars required from each account which is beyond A REASONABLY ACCEPTABLE LEVEL, but don't panic,... yet.***

Due to the greatly reduced membership today, to remain in operation, a mortgage would not be practical (only a band-aid, and revenues would have to be sufficient to service the debt). **Therefore, an ADDITIONAL maintenance fee would be required for 2016, and the effect is estimated to more than double the current increased fee per supporting account and is presently estimated at \$1,392.68 per currently active account.** However, if the Association is to remain competitively in business, capital improvements (furniture, unit furnishings, linens and textiles, infrastructure repairs, docks, boardwalk, etc.) will require an additional significant budget adjustment for repairs and restoration, code compliance and infrastructure upgrade regarding the common elements and unit contents, ***estimated at \$730 to \$943 per account for repairs, renovation, and restoration regarding common elements and unit contents, but ONLY IF we are able to plug the hole of attrition going forward, or there's once again a surge in sales to replace lost accounts, which is not likely.***

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**The total ADDITIONAL billing of \$2,122 per account, added to the 2016 fees and taxes already billed (\$757 + \$22.29), would total about \$3000 per member account in order to maintain operations and allow us to provide services while attempting to meet 2016 obligations. BOTTOM LINE: If operations continue, the effect of so few member accounts will exponentially *increase* the annual amount of member dollars required from each account *beyond A REASONABLY ACCEPTABLE LEVEL* (cost of ownership).**

The Board of Directors seek your guidance on the question of ***WHETHER OR NOT WE CONTINUE*** forward and have a significant assessment, ***OR*** whether the Board must determine insufficient funds to continue required maintenance and repairs on the units, and therefore ***CEASE OPERATIONS***. To assist you in your analysis, an **Appraisal of the Association's real estate was received in February, 2016**, which reflects an opinion of the resort's fair market value (FMV) of \$5,000,000. To confirm this estimate, a 'second' qualified appraisal firm is being pursued. The actual purchase price for the sale of the property is dependent upon several uncontrollable variables, such as actual local market at the time of sale, the number of serious buyers who show up on sale day, and the buyer's perception of market value, as well as the status of the regional and national economy regarding favorable investment motives. If involved in a judicial proceeding, and the initial attempt does not receive the determined opening bid amount, the opening bid will be reset by the Court and a second sale attempt will be held (reducing the starting bid and increasing expense by duplicating the procedure). **The process begins with your timely response to this letter!**

**ENCLOSED is a 'Ballot / Waiver / Proxy' document requiring your action and signature on the appropriately designated line. Please complete the form and return AS QUICKLY AS POSSIBLE. The Ballot/Waiver/Proxy must be in our possession not later than April 18, 2016. Your ballot denotes YOUR PREFERENCE regarding YOUR CHOICE of (A) continued operations for the Association and guidance to the Directors regarding your commitment to pay the required assessments; OR (B) direct the Board of Directors to determine the appropriate date to Terminate and Dissolve operations, which is to CLOSE THE AFFAIRS of the MPIOA, Inc., as a timeshare resort, WITHOUT billing additional operating funds to current members.**

In the event your preference is to TERMINATE resort operations, the Board of Directors have included in this letter an opportunity for existing owners to deed their unit interval back to the Association and avoid further termination and dissolution participation with no further obligation or responsibility. **IF YOU PREFER TO DEED YOUR INTEREST BACK to the Association, doing so will waive any right to recovery. With the membership's vote to support the Directors regarding the TERMINATION of operations,** the Association's operating activity is expected to **CEASE on or about check-out time May 27, 2016**, except as otherwise may be determined due to unanticipated expense involved with the Dissolution proceedings.

- **For owners who have accounts with a 'CURRENT' status** (and owes less than \$100.00 or has a credit balance), and prefers to avoid the probability of a significant assessment and increased billing for annual fees, as well as decline participation in the process through the courts, the Directors have determined the Association will accept a deed back if the deeded owner will cover the cost of the Cumberland County Register of Deeds' recording fee in the amount of **\$23.50**. Indicating your preference to deed your unit interval back to the Association by marking the 'YES' box to question #3 on the enclosed Ballot will trigger the documents to be forwarded to you for completion and return.
- **If your Association account is of a 'DELINQUENT' status** (more than \$100), **and you prefer to return your deed to the Association**, the same opportunity to deed your unit interval back to the Association also applies to you. Mark the 'Yes' box for question #3 and a deed will be forwarded to you immediately for execution. By returning it timely along with your payment of the \$23.50 recording fee, you are relieved of your account and the accompanying obligations. However, if you prefer to participate as an active owner through the Termination and Dissolution voting process, you may do so by bringing your account to a 'current' status prior to April 18th, 2016, with the properly executed and **timely return of the completed Ballot** as it may pertain to your preference. Regarding this process, time is of the essence for present AND for future actions.
- **The possibility exists for both RISKS, and RECOVERY**, for any interval owner who chooses to continue participation as a supporting member, if the Termination and Dissolution process is determined.

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- **PLEASE KNOW** there is the potential for **unanticipated expenses incurred by the Association in the pursuit of this process** toward a positive outcome. **Such expenses will possibly require funding from participating members.** You should also understand, **no one can know the potential or likelihood of 'net proceeds' after all expenses are satisfied.** However, **if there are net proceeds received from the liquidation of the Association's assets, they will be disbursed appropriately according to the number of active members participating.** **Since no one can know the outcome, PLEASE BE AWARE, there are no guarantees or representations made regarding the likelihood for net proceeds, or the amount of potential expense, and it is currently under review whether a liability may, or may not, exist for participating members in the event the net proceeds are in a negative balance.** In the event of a negative fund balance at conclusion, the matter would potentially proceed to Bankruptcy Court in an effort of protection for all remaining members as appropriate.

**If the majority of members vote the enclosed Ballot to CONTINUE resort operations,** the Directors will vote immediately for the assessment (increase) and immediate billing of the annual maintenance fee required to fund the continuation of the resort's operating budget, as well as the necessary assessment for funding the current required capital improvements. **Regardless of your preference** to either continue operations or to cease operations and dissolve your Association, **you may prefer to deed your unit back to the Association** at this time, according to your preference. Please be aware, this circumstance could likely be your only opportunity to do so, as once engaged in the judicial process, a prescribed course is determined. If you prefer to deed your unit interval back to the Association, there is also a requirement for a Waiver to be signed by the unit owner(s) or designated representative of the account as part of the Ballot. The Ballot and your deed to the Association resolves several issues for the protection of remaining members: (A) it warrants to the Association the signing member has not encumbered, nor caused to occur any lien, mortgage, or assignment of the asset as collateral to a third party or entity; (B) it removes further risks, account balance, and future obligations from the owner deeding their unit back, thus ending the member's account and relationship with the Association; and (C) it removes the opportunity for possible recovery by the deeding member from the Association and its leadership before, during or after conclusion of the process. By executing the Waiver, the Association, and all involved with the process are better protected from known or unknown liabilities in today's culture.

**If, after your choice is made,** and you have appropriately indicated whether your preference is to participate in the judicial process of Termination and Dissolution, or continue operations, or to deed your unit interval back to the Association, the Board will determine the results as it relates to the voting member's choices who wish to select either option, or who have not responded in any manner, then following the lead of the majority entitled to vote. For those who fail to respond, the Association will necessarily initiate a process to clear the title. Once the member's 'deed-backs' are received and counted (and their processing for recording is underway), there is the potential of a second vote of the unit owners remaining, which would determine the next steps regarding the '**In Favor**' or '**Opposed**' count to the question of termination (depending upon percentages from the first vote). **If, after the first vote, a second vote is required to TERMINATE resort operations,** as approved by 75% of the remaining eligible account owner's vote, the Board of Directors will immediately pursue the process of termination. The assets (land, improvements and inventory) will be judicially sold, removing all third-party interests (and agenda) in the process structure. After currently unknown expenses for the process are satisfied, any net proceeds, **should they occur,** will be shared equally among every deeded owner **who will have determined to participate** throughout the process **with full acquiescence regarding** the collective financial **support of the process** (or by default, in the case of no response to the Ballot or deed-back offer, less any funds due on their account). As of this date, a timeshare interests' value as part of a termination can only be a guess.

**Regarding rental occupancy** beyond May 27, 2016, which has been paid, a full refund will of course be made as quickly as possible, as funds were escrowed until earned. Owners who have appropriately funded the 2016 budget by paying their account current as billed, and have received confirmation, RCI will determine the outcome. This significant inconvenience is regrettable; however, it is not within our control. In the case of use through the exchange system for any 2016 or later interval, no refund shall be due, as the 2016 fees will have been earned. **HOWEVER,** all remaining accounts (with unearned fees) will be reviewed and recommendations

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made to the Board regarding any or all portions of funds paid with unearned value remaining for future periods. Other than rental reservations after May 27th, 2016, refunds for unearned fees will be analyzed for a determination and approval by the Board, and all refunds of this type, as determined, are anticipated to be paid to the designated member accounts **as part of the expenses of the Termination and Dissolution process**. Under these circumstances, the operations activity and the impact of expenses are extremely dynamic and will be closely observed for opportunities to expedite the refund process. Refunds regarding recent purchases (just prior to the 2016 billing and after) of the IMPA product are also considered regarding eligibility for the applicable amount of refund in the same manner. The Association is a non-profit entity which is attempting to serve the member's as much as possible, with the least amount of stress possible on the members due to this process. Current account member's who wish to deed their unit back **will also be considered regarding any appropriate refunds of the 2016 annual fees paid** as herein described according to the determined criterion for such accounts, and as determined by the Board as (if) funds are available for disbursement. **A funding, expense and refund criteria is also being determined regarding each account**. Pertinent info with details shall be routinely forthcoming from Management to all accounts involved regarding the refund processing. A Board consideration regarding participating v. non-participating accounts will also be a necessary priority in their order of business, as it relates to process funding.

**RCI's** position (regarding future travel against existing 2016 and 2017 deposits, as well as reassigning those who are inbound by RCI), as of the date of this letter, will require a freeze on deposits of intervals and future exchange confirmations using inventory which will begin (on check-in day) after May 27th, 2016, and beyond. Those members who have already deposited or confirmed an exchange through either entity will receive communication as soon as RCI determines their response to the Association's notice, which is expected soon according to our last communication.

[Website: <[www.marinerspointeresort.com](http://www.marinerspointeresort.com)>, then go to 'Owners' tab, Username: owners, Password: Resort1].

Sincerely,

Dave Burgess, President  
Universal Services Corporation as Managing Agent for  
MPIOA, Inc., and on behalf of the MPIOA, Inc., Board of Directors

Enclosure: Ballot with Proxy and Waiver (one page, front & back)