

Mariner's Pointe Interval Owner's Association, Inc. Update

September 2016

Recall the March 2016 letter, which accompanied the Association's Referendum (the one with the heading "REQUIRES URGENT ACTION" on each page). The letter's enclosed Referendum provided the opportunity for interval owners as members of the Association to provide the Board of Directors their preference regarding support of the Board in the Termination of the Association, or their preference to provide the necessary financial support of the expense required for continued operations, regardless of a significant reduction in active members. The results of the 2016 Referendum indicated the overwhelming majority preference to provide support and direction for the Board to terminate, dissolve, and liquidate the Association.

Since reporting the results of the Association's Referendum to the membership in April 2016, the focus has been clearing title to the Association's assets. The monumental task of creating one parcel from the 2,392 intervals is necessary for the Association to convey its real estate assets to a prospective purchaser in a marketable condition. There is neither time nor sufficient room here to describe the details of the undertaking. As a relatively new phenomenon to facilitate in Tennessee, the time required to accomplish the task of dissolution is difficult to estimate, as completion is fully dependent upon the willingness of each party to communicate and respond with action to the needed steps. The referendum structure was an attempt by the Association to organize the steps necessary to accomplish the objective. Unfortunately, the complexity has motivated several to refuse any response.

The great majority of the membership responded timely to the Referendum, and completed the options they had preferred to select. Many of the membership responded to our invitation for further discussion with questions by phone or email. While staff could not lead or direct their decision process, most all who communicated arrived at a conclusion sufficient to take action, and followed through.

The Board and Management crossed their fingers regarding saving time and expense for the Association by avoiding the need to take legal action as necessary to force unresponsive members to relinquish their deed by court order while preserving their rights to participate with the Association in dissolution and liquidation. It appears likely the legal process will be necessary.

As of this date, the majority of member accounts have indicated their **support** of the Association through the liquidation of Association's assets. However, **after** the final extended deadline to complete the deed-back process occurred in August 2016, **THIRTY** member accounts have not determined to follow through with their stated preference to deed their interval back to the Association, while expressing their intent to do so. The remaining **MINORITY** of accounts are **unresponsive**, which means they did not respond with their Referendum, nor do they respond to communication attempts, yet they have mostly maintained their current account status for 2016. Therefore, the Association's majority are voluntary supporting members who wish to expedite the process, while the remaining minority of members is not as forthcoming, cooperative, or communicative. All **other** accounts either are owned by the Association, or are in active Foreclosure.

For the supporting active members, the 'Interim Membership Agreement' preserves membership rights in lieu of the member's deed, and was mailed to all current accounts with a response deadline of October 31, 2016. The Interim Membership Agreement contains a simple Disbursement Plan for those who support the Association through to completion of the process. With execution of the Agreement, Association's counsel can verify all deeds are in hand before creating the title commitment in preparation of the asset sale. If such is the case, significant legal expense will be avoided while saving time toward meeting the objective. However, **if only one** of the unresponsive accounts does not

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respond as requested, the Board is then forced into a position of initiating legal action in state court, or filing for protection under the Bankruptcy Court of the Middle District of Tennessee in federal court. In either action, the Court will appoint a Trustee as well as other agencies, to report certain findings to the court (including appraisals of the real estate in preparation for a public Auction sale). **It took 4 months to acquire our 2016 appraisal**, as discussed in the March letter, and that appraisal was 'fast-tracked'.

Once Foreclosure is complete, the Association will hold about 93% of the interval deeds, including the majority who are reasonably informed and decisive in their support of the process as desired and determined by the majority of the Association's membership. The other 7% of the interval accounts are in a position to force 100% of the interested parties (the Association and its membership, including the 7%) into the costly and serious time delay in reaching the desired objective as preferred by the membership.

What happens next is simple. The 7% will respond with either their Agreement and their Deed to the Association, or only their deed to the Association by the deadline, and we move forward toward the objective. Or, one or more of them will not respond to their final opportunity, and counsel becomes immediately engaged in a significant and lengthy legal process.

In considering the current circumstance, empirical evidence suggests understanding is more the problem than emotion. While there were several commentators at the annual membership meeting, the focus and demeanor of a few detractors indicated resistance to the process. Some commentators expressed concern and curiosity about the details, while others remained argumentative of the entire process. If any of these remaining unresponsive members do not respond timely with their indication, the next step is unfortunately predetermined. In this manner, the unresponsive member's inaction becomes legal action and each member becomes involved and part of the legal process in some manner.

Misconceptions by the uninformed are usually a result of insufficient information intake. Several articles titled such as *'I didn't know that!'*, and *'Who's Who In The Association's Termination, Dissolution, and Liquidation of 2016'*, and others will appear on the Owner's tab of the resort's website in October describing the relationship of each party (entity and persons) involved in facilitating the process for the Association. The articles should assist the uninformed and the curious who may not recall or may have missed in depth information as provided over the years.

Another update will follow as we progress into the next steps of this process. Thank you for your continued support and as always, please feel free to contact your member advocate, Chris Greene, should you have any questions.