

March 24, 2011

To the Members of the Calypso Cay Vacation Villas Homeowners Association:

Since the Special Assessment that was invoiced to the membership last year relative to the November 9, 2010 Board of Directors (BOD) meeting of the Calypso Cay Vacation Villa Homeowners Association (CCHOA) some Members have requested certain detailed information from the BOD. At the Annual Meeting the Members in attendance expressed questions and comments to the BOD. Some Members sent letters and email messages. The BOD of the CCHOA considered the questions, comments and requests for information by the Members and prepared the information below hopefully providing the requested answers and other information relative to the Special Assessment.

WHY DID THE BOD MAKE THIS ASSESSMENT?

The Special Assessment was required because of the unusually high delinquency rate of collection of the Annual Assessment from the membership. This problem is not exclusive to timeshare owner associations. At this time over 88% of the timeshare intervals are owned by individual members. The BOD has a fiduciary responsibility to the Members and had no choice but to go back to the membership with the additional assessment so that the CCHOA could meet its current financial obligations.

WHY WAS THE ASSESSMENT SENT OUT DURING THE HOLIDAY SEASON?

The timing of the assessment was untimely considering the financial pressure of the holiday season. Unfortunately, the CCHOA fiscal year is April 1 to March 31. As annual assessment collections came in throughout the year it became clear to the BOD in the late fall of 2010 that there would not be enough funds collected from the Members for the Association to meet its financial obligations. Accordingly, the decision was made in November and the assessments were mailed later that month. A large portion of the operating deficit was comprised of Real Estate taxes that would be due immediately, so the additional funds required from the members were needed by the CCHOA on an immediate time frame.

WHY WAS THE DUE DATE OF THE PAYMENT AS SHORT AS 30 DAYS?

The BOD heard from many Members that the time to pay of 30 days was unreasonable. Considering the perception by the Members that this was unfair, the BOD may have been better served to extend that payment deadline, but again, the BOD has a responsibility to the membership to ensure that the CCHOA was able to timely meet its obligations. The BOD considered this as an urgent matter of a serious nature. To address the Members concerns, the BOD went to the developer to provide inventory to the membership so that Members that qualified by making timely payment of the Special Assessment could use the amount paid to receive additional upgrade reservation points.

WHY WERE THE ASSESSMENTS THE SAME FOR ALL OWNERSHIP FREQUENCY?

The BOD decided to assess based on unit type and not by an annual or biennial ownership because the funds were required to meet current year obligations and the renovations benefited all member considering the floating reservation system.

WHAT IS THE USE OF THE FUNDS FROM THE ASSESSMENT?

The total assessment was approximately \$3,300,000 and just over \$2,000,000 has been collected. The use of the funds to date has been as follows and in this order (these amounts are rounded and not exact):

Payment of Past Due Reservation/Club Fees	\$ 748,000
Real Estate Taxes	\$ 650,000
Management Fees	\$ 97,200
Operational Short Fall	<u>\$ 504,000</u>
Total	<u>\$2,000,000</u>

Collections are still coming in and any amounts collected going forward will be utilized to renovate the interior of some of the building units. The original renovation budget was \$900,000, but projected collections indicate that about \$600,000 will be available to make the renovations. This will still make a positive impact on the units.

WHY DID YOU TURN MEMBERS OVER TO A COLLECTION COMPANY?

Many Associations utilize third-party companies to prepare and send the annual invoices because of the intensity of personnel required to send annual invoices. CCHOA utilizes the services of Meridian Financial Services, Inc. (Meridian). Meridian also provides additional services relative to collecting delinquent accounts. This is a very complex issue. The BOD serves the membership with great consideration to each Member but also the membership in whole. When a Member is delinquent, while the BOD recognizes the preferential standing of a Member as an owner, the BOD owes the other Members the obligation to make its best efforts to collect all of the assessments. The positive part taken from this is that the feedback from the Members has created the need for additional training for the management company staff and the Meridian staff to ensure that all Members are treated respectfully.

SHOULD THE MEMBERS EXPECT THIS KIND OF ASSESSMENT ON A REGULAR BASIS?

The Special Assessment is considered a non-recurring, and hopefully, unusual event in the business of any Association, especially the CCHOA. The BOD is focused on controlling expenses and working with each Member to collect all assessments. The BOD told the members at the Annual Meeting that for the fiscal year ending March 31, 2011, check-ins are projected to be 12.4% higher and expenses are projected to be 5% lower.

BESIDE COLLECTION EFFORTS WHAT ELSE IS DONE TO WORK WITH NON-PAYING MEMBERS?

All delinquent Members are blocked from using their ownership units until assessments are paid current. The developer does not approve any conveyances by a member without their CCHOA account being made current. As time goes on, and the membership stabilizes the BOD will consider foreclosure action to acquire the delinquent fees for the Association. The management company utilizes the full collection efforts available through the developer's collection team as well while collecting from mortgagors.