



Special Board Meeting

August 18, 2025

Special Assessment Overview

- Why is this needed?
- How was it calculated?
- Why the short notice?

Why the Special Assessment is Needed

- Fund operational shortfall for 2025
- Cover payments for renovation cost contracted and complete or near complete.
- Restore capital reserves to \$350K
- Pay for emergency repairs to sewer, stairs, pool, etc. and fund required repairs known for 2026
- Establish a fund for renovating the final 32 Villas
- Stabilize financial position

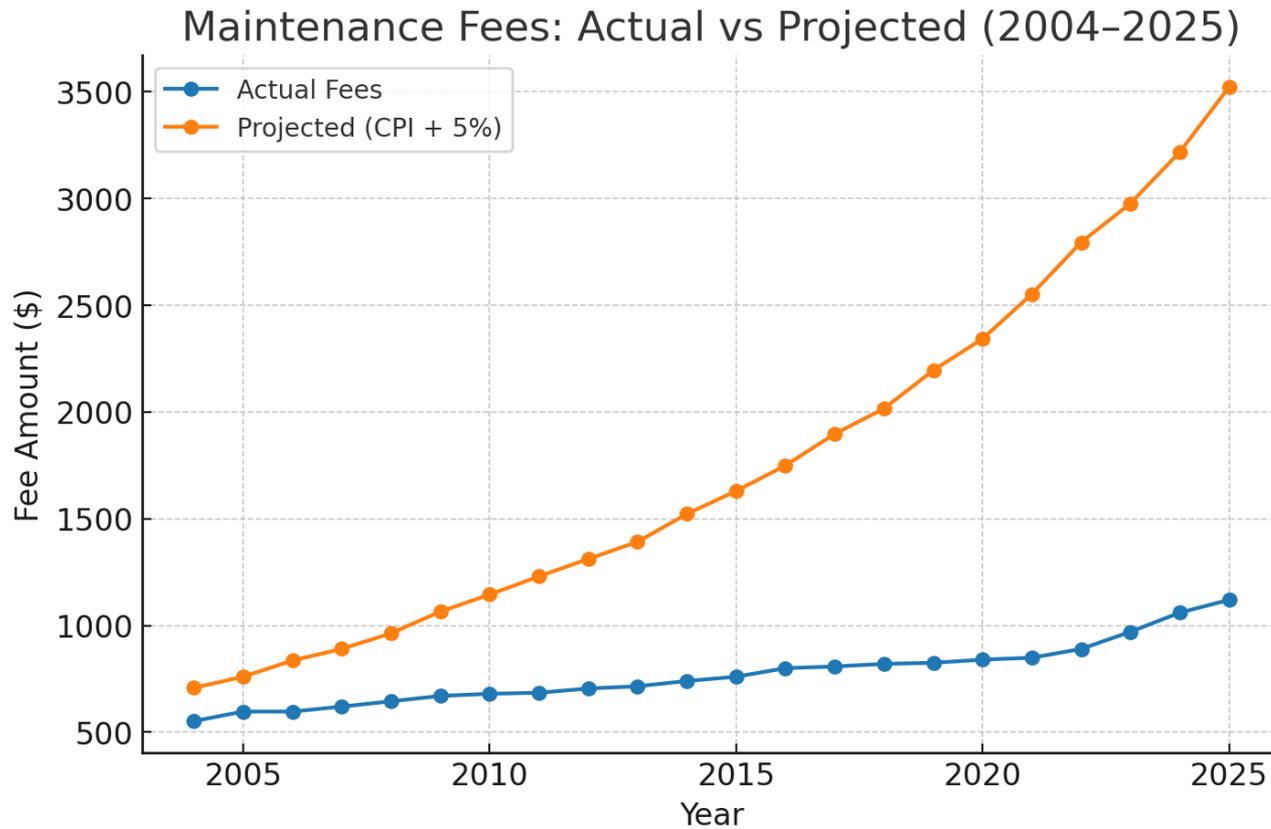


Why is There an Operational Shortfall?

- A history of using current year's fees to pay last year's expenses
- A history of undercharging Annual Maintenance Fees (see chart)
- Growing number of ARR-owned intervals with No Maintenance Fees paid



Maintenance Fees: Actual vs Projected



Projection uses Phoenix CPI where available, national CPI otherwise. Figures are estimates.



Urgency Timeline

- October 26, 2024: 2025 budget approved showing positive net income
- November 26, 2024: Financial info presented – no major issues identified
- January 26, 2025: Loan attempted to replace renovation funds used for operational shortfall
- February 25, 2025: Former GM gave written retirement notice
- March 19, 2025: New GM starts;
- June 25, 2025: Board decides to notify owners of need for emergency Special Assessment
- July 9, 2025: Special Assessment notice issued

Calculation of Special Assessment

- Initial calculation by GM using best data available (some from prior GM)
- Urgency to advise owners of financial situation
- Board has revisited the calculation

Original Calculation of 2025 Special Assessment

2026 Renovation cost	2,085,718.92	
2026 Renovation salaries	48,170.00	(Ralph & Shelley)
	<u>2,133,888.92</u>	
	-400,000	2026 ARR budget capital expenditures
	<u>-597,088</u>	Anticipated last special assessment payment due January 2026
	1,136,801.36	

	Calculation A	Calculation B
		(Adding highlighted to shortage for special assessment so we arent short next year if these funds don't come in AND so we are not using future capital budget)
2025 Cash flow shortage (using reserves)	1,221,146.09	1,221,146.09
Replenish Reserves	350,000.00	350,000.00
2026 Renovation shortage	1,136,801.36	1,136,801.36
Single Level Landings repair	90,000.00	90,000.00
Lift Pump Station repair	100,000.00	100,000.00
	2,897,947.45	400,000
		597,088.00
		3,895,035.45

Instead of using - 2026 ARR budget capital expenditures

Instead of using - Anticipated last special assessment due January 2026

Calculation A ÷ 2700 intervals = 1,073

Calculation B ÷ 2700 intervals = 1,443



What are the changes?

- We updated the cash shortfall to keep the resort open through 2025
- There was no allowance for the Best Western to pay their share. This has been added
- This assumes the final phase of renovation is paused and the money required is put in a reserve account to fund that phase.
- There was a payment made for the renovation that was not accounted for



Updated Calculation of Special Assessment



SPECIAL ASSESSMENT 2025 - CALCULATION

INTERVALS

Total Intervals	3,672
ARR Owned	229
Anticipated New Foreclosure	80
BW Owned	357
Intervals to contribute towards assessment	3,006
Allow for nonpayment	300
Net Available to pay full	2,706

ASSESSMENT CALCULTION	CASH NEEDS	BW PORTION	REMAINDER
2025 Operational Shortfall	588,780	\$38,062	\$550,718
Remaining Renovation Costs Due now	300,000	\$19,394	\$280,606
Emergency Repairs	190,000	\$12,283	\$177,717
Restore Capital Reserve Fund	350,000	\$22,626	\$327,374
Required Repairs 2026	400,000	\$25,858	\$374,142
Renovation Reserve Fund	2,150,000	\$0	\$2,150,000
TOTAL	3,978,780	\$118,222	\$3,860,558
PER INTERVAL @2,706			\$1,427
ROUNDED			\$1,500

Accommodation for a payment plan

- To accommodate those owners that might struggle to fund this entire amount by the due date, the board will allow for the following payment plan.
 - \$300 by Sept 1, 2025.
 - \$200 by the 1st of each month following for 6 months.
 - If payments are made on time, there will be no restrictions on reservations.



How was shortfall calculated

OPERATIONAL SHORTFALL - 2025

Cash Accounts:

Chase Savings	27,020
Reserve CD	175,000
Reserve CD	175,000
First Citizens Lock Box	266,269
Chase Operating	1,378,451
Less Current Speical Assessment Collected:	(1,371,319)
Net Available for Operations in 2025	650,421

Projected Monthly Expenses

August	148,454
September	287,000
October	273,187
November	237,780
December	292,780
Total Monthly Expenses	1,239,201
TOTAL CASH TO OPERATE IN 2025	(588,780)



Status of Collections

- As of the morning of 8/18:
 - Total dollars collected: \$1,371,319.25
 - Total number of intervals: 914 (34%)
 - Number of owners: 528



How was the remaining renovation costs calculated?

Renovation Contract Amount

Contract for 4 villas (model units) ●	263,087
Contract for 29 Villas	1,876,704
Contract for 32 Villas - Not commenced	2,085,718
Total	4,225,509

Paid to Date - Renovation Contracts

4 Model Unit Contract
29 Villas Contract

Payments

263,088	Paid in full
1,053,552	
320,000	
220,625	

Paid on 29 Villas

Remainder under contract	282,527
Allow for Additional Cost	17,473
Allow for remaining Renovation Cost	300,000



How was the BW Share Calculated

- BW is paying their share (@49%) of everything except any costs that might be incurred by the pausing the renovation.
- Since renovation funds were diverted to pay operating expense, the operational shortfall would have been larger; thus, BW is also contributing toward the final payment of the renovation of the 29 villas



What are the emergency repairs

- The sewer lift station was failing and repairs are underway now - \$100K
- There are stairwells that are unsound and unsafe and need to be addressed immediately - \$90K
- The \$400K for 2026 is for known and critical repairs needs including the pool



Explain the Capital Reserves

- The board established a starting reserve of \$350K in the 2024 special assessment
- Those funds were also used to cover operational shortfall, so it needs to be replenished.

What is the Renovation Reserve Fund

- Since we have paused the final 32 Villas, we are setting aside funds that will be needed once this project moves forward



Why is There a Renovation Shortfall?

- Scope added once model Villas completed (+\$105K)
- Prior management used SA #1 funds for operations

ARR Renovation Contract Status

Renovation Budget	Original	Changes	Current	Status
Model Room (4 units)	263,088	-	263,088	Complete and Paid in Full
Initial 29 Villas	1,771,605	105,099	1,876,704	Remaining Payment of \$282,527 Due
Final 32 Villas	1,969,846	115,872	2,085,718	Not Started
TOTAL	4,004,539	220,971	4,225,510	
COST / VILLA	61,608	3,400	65,008	



Can We Stop the Renovations?

- The current phase of 29 units needs to be completed as planned and that final payment is included in the calculations. The renovations are not the primary financial issue
- The final phase can be paused or cancelled completely. The board is proposing a 60 day pause to determine the best way to move forward, but is reserving the funds to assure the work is completed in short order
- The pause is not without risk of increased cost and delays.



Board Proposal

For discussion and voting

- Allow for installment payment to ease the burden on owners with \$300 due by 9/1; \$200 by the first of October, November, December, January, February and March.
- If the majority of owners pay the 1st installment that will be an indication that ARR will have funds necessary to continue operations and cash needs.
- If special assessment funds are not received the resort may be unable to meet its financial obligations for an extended period of time.



Board Proposal for Discussion and Voting (cont)

- Approve and execute 2.5-year management agreement with Vacatia to provide professional management support to operations which includes management of the proposed payment plan.
- Board will establish a committee inclusive of owner participation with details provided at the upcoming annual meeting.

Why should you pay?

- This is a unique property that has bright future if it is properly funded and professionally managed by Vacatia
- With renovated units you will have an enhanced offering to stimulate the rental program as well, enhance interval sales and value, and improve the experience of owners today
- Vacatia will materially improve the marketing and sale of interval units
- Vacatia will offer another opportunity for exchange within their system
- The resort will be on firm financial footing with future reserves available as it ages.



Questions from Owners

- Will take questions from raised hands in the order raised.
- Please limit your comments so that as many as possible may speak
- Try to avoid asking a question that has already been addressed
- Be respectful