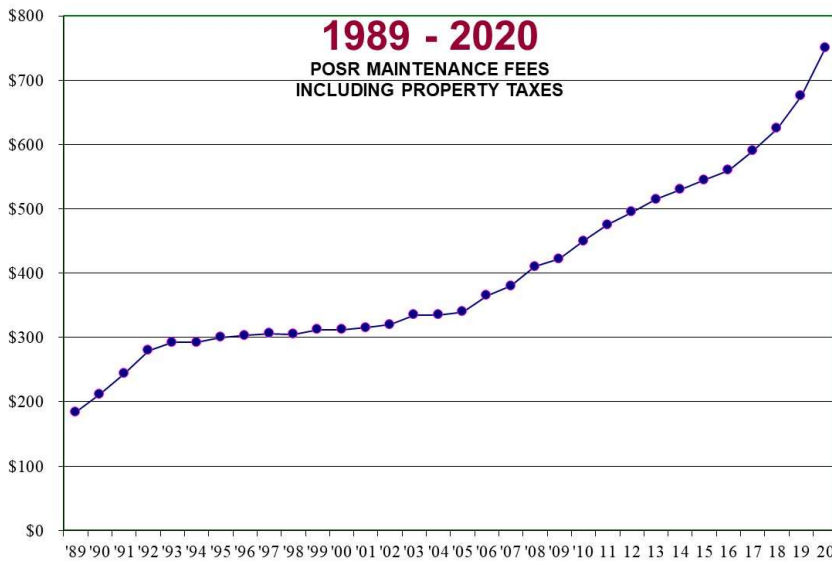




Pend Oreille Shores Resort Association 2020 Maintenance Fee Letter to Owners

This is not a special assessment notification letter. The Pend Oreille Shores Board of Managers is sending you this letter to advise you directly of the Maintenance Fee increase for 2020 as it is the largest percentage increase which we have had since 1992.

The Maintenance Fee for 2020 will be \$750 per interval, of which \$119 per interval (or \$220,000 in total) will go specifically to the Reserve Contribution. This represents an 11% increase over that of the previous year which is solely attributed to the number of Active Owners remaining in the association.

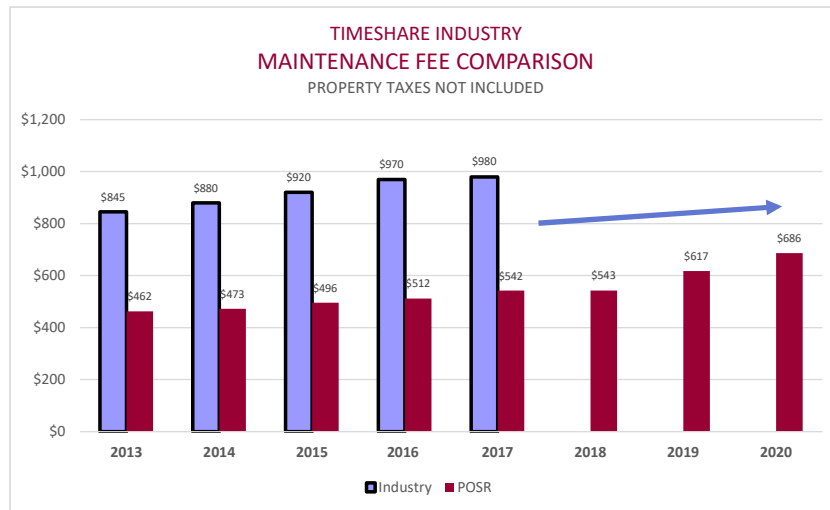


'89	\$184		'05	\$340	1%
'90	\$212	15%	'06	\$365	7%
'91	\$243	15%	'07	\$380	4%
'92	\$280	15%	'08	\$410	8%
'93	\$292	4%	'09	\$422	3%
'94	\$292	0%	'10	\$450	7%
'95	\$300	3%	'11	\$475	6%
'96	\$303	1%	'12	\$495	4%
'97	\$306	1%	'13	\$515	4%
'98	\$305	0%	'14	\$530	3%
'99	\$312	2%	'15	\$545	3%
'00	\$312	0%	'16	\$560	3%
'01	\$315	1%	'17	\$590	5%
'02	\$320	2%	'18	\$625	6%
'03	\$335	5%	'19	\$675	8%
'04	\$335	0%	'20	\$750	11%

The Board understands how any increase in the Maintenance Fees affects our owners, especially those who are experiencing challenging economic conditions.

Board members themselves are equally impacted by this increase as these members and their families each own multiple intervals at Pend Oreille Shores (from 3 to 26 intervals each). In addition, many Board members also own multiple intervals at other resorts, each of which charge significantly more for annual maintenance fees than being experienced at Pend Oreille Shores.

When compared with other resorts in North America using the 2017 ARDA International Foundation "State of the Vacation Timeshare Industry Study" Pend Oreille Shores Resort's Maintenance Fee was AGAIN substantially lower than most other resorts included in the study.



	2013	2014	2015	2016	2017	2018	2019	2020
POSR MF	\$514	\$530	\$545	\$560	\$590	\$625	\$675	\$750
Less Property Tax	\$52	\$57	\$49	\$48	\$48	\$47	\$58	\$64
POSR Comparative	\$462	\$473	\$496	\$512	\$542	\$578	\$617	\$686
Industry	\$845	\$880	\$920	\$970	\$980			
% Lower	45%	46%	46%	47%	45%			

Using the reported data available shows that our resort's maintenance fees are consistently 45% or more below our peer group. And while recent trends regarding HOA unit ownership are putting pressure on our MF/Interval, we expect to remain significantly below the average while still keeping the resort at Gold Crown Status.

As mentioned previously, forecast expenses together with 2020 reserve contributions are no greater than budgeted in 2019, however the number of active interval owners is decreasing thus the costs are being shared with less owners year over year.

Active Owners



Year	2015	2016	2017	2018	2019	2020
HOA units for sale	381	431	495	521	521	521
MROP Returns	-	-	-	-	175	175
Active Owners	2,169	2,119	2,055	2,029	1,854	1,854
Potential Owners	2,550	2,550	2,550	2,550	2,550	2,550
	85%	83%	81%	80%	73%	73%

The Homeowners Association may have ownership of approximately 27% of the total potential inventory at the resort. This means that costs of maintaining the resort rests on the shoulders of the remaining 73%. **So why is this happening? And what can we do to reverse this unfortunate trend?**

As described in many newsletters the return of units can be attributed to several factors including; age, health, lifestyle changes, competition (VRBO, AirBnB, etc.) and travel preferences of a young generation who may be unable to afford to take over their parents' timeshare (i.e. changing demographics).

In addition, there is a risk that our largest block owner may return up to 175 units to the HOA, and we need to prepare for this potential issue. To explain further, in 1997 the original developer was approached by a management/exchange company Multi-Resort Ownership Plan (MROP) to purchase the resort's remaining inventory. They ended up purchasing 347 intervals (all off-season except for 8 weeks). Over the years MROP has been an exemplary owner always paying Maintenance Fees on time. In recent years MROP has begun feeling industry pressure like many legacy resorts (losing many of its timeshare members). Our Board has worked with them over the last couple of years to ensure their success but now feel it prudent to anticipate the return of 50% of their units.

Maintenance Fees 2020

Category	2018	2019	2020	2020	2020
	Budget	Budget	Budget	Bldg I	Per Week
Office Expense	69,100	73,100	82,500		44.50
Advertising/Newsletter	8,000	10,000	15,000		8.09
Credit Card Bank Charges	28,000	30,000	30,000		16.18
Dues & Subscriptions	2,500	2,500	2,500		1.35
Benevolence	1,000	1,000	1,000		0.54
Dept Office Expense/Comp	28,000	28,000	32,000		17.26
Postage: Admin & RS	1,600	1,600	2,000		1.08
Repairs & Supplies	124,200	128,300	138,300		74.60
Auto Gas, Oil & Repairs	1,000	1,000	1,000		0.54
Equip Rental/Lease	2,300	2,300	2,300		1.24
Dept Repair & Maint	51,000	55,000	60,000		32.36
Snow Removal	7,000	7,000	10,000		5.39
Dept Supplies	62,900	63,000	65,000		35.06
Bad Debt	4,000	4,000	4,000		2.16
Capital Outlay & Cash O/S	2,050	2,050	2,050		1.11
Other	8,900	8,900	8,200		4.42
Continuing Education	1,200	1,200	1,200		0.65
Firewood	4,000	4,000	3,500		1.89
Meals & Entertainment	2,500	2,500	2,500		1.35
Travel & Mileage	1,200	1,200	1,000		0.54
Insurance	38,900	61,100	65,900		35.54
Property Insurance	38,000	60,200	65,000	3,600	35.06
Auto Insurance	900	900	900		0.49
Wages & Benefits	850,000	869,000	870,000		469.26
Workers' Comp Insurance	14,000	15,000	18,000		9.71
Employees' Retirement	8,000	10,000	12,000		6.47
Employees' Health Insurance	75,000	75,000	80,000		43.15
Salaries & Wages	690,000	705,000	700,000		377.56
Payroll Taxes	63,000	64,000	60,000		32.36
Depreciation	1,000	5,000	33,000		17.80
Legal & Accounting	6,000	7,000	7,000		3.78
Taxes & Licenses	97,800	122,800	118,000		63.65
Licenses & Permits	2,000	2,000	2,000		1.08
Income Taxes	100	1,000	1,000		0.54
Property Taxes	95,000	119,000	107,000	12,000	57.71
Sales, Use & Excise Tax	700	800	8,000		4.31
Reserve Contribution	220,000	328,400	288,400	68,400	155.56
Utilities	142,700	148,000	164,500		88.73
Telephone	8,000	8,000	9,000		4.85
Electric & Propane Expenses	117,700	118,000	136,000	5,000	73.35
TV Satellite Prog & Repair	9,000	9,000	9,500		5.12
Water, Sewer, & Garbage	8,000	8,000	10,000		5.39
Interest Expense	3,000	50,000	50,000	50,000	26.97
Total Expenses	1,567,650	1,807,650	1,831,850	139,000	988.05

Income					
Homeowners' Fees	73,250	83,850	99,550		53.69
Maint Fees Service Charge	10,700	9,000	10,000		5.39
HOA Unit Rentals	42,550	47,000	53,550		28.88
Ownership Change Fees	6,000	6,000	8,000		4.31
Sale of HOA Units	1,000	1,850	3,000		1.62
ShorePointe Resort Club	13,000	20,000	25,000		13.48
Office Rent, , Comm, Bldg I	66,000	50,000	225,000	139,000	121.36
Other Income	17,900	18,300	20,800		11.22
Clean Fees	1,800	2,000	1,500		0.81
Firewood	800	1,000	1,000		0.54
Telephone/Wireless/Fax	15,000	15,000	18,000		9.71
Postage	200	200	200		0.11
Tickets/Stickers	100	100	100		0.05
Athletic Club & Activities	65,000	65,000	62,000		33.44
Store & Espresso Shop	27,000	27,000	26,000		14.02
Interest Income	6,000	7,000	8,000		4.31
Income	255,150	390,150	441,350	139,000	238.05
Expenses - Addtl Income	1,312,500	1,417,500	1,390,500	0	750.00
ANNUAL ASSESSMENT	625.00	675.00	750.00		
Operating Expenses	477.28	460.14	530.79		
Reserve	101.15	156.38	155.56		
Taxes & Licenses	46.57	58.48	63.65		
Based on number of owners	2,100	2,100	1,854		

We are providing you with this line by line detail of how the budgeted maintenance fees were calculated however there are only a few things that we want to again focus on:

1. No increase in expenditures (1.4 million versus 1.4 million in 2019)
2. Reduced reserve contribution for 2020 (220k down from 260k in 2019)
3. Reduced number of active owners to share the costs is the real concern (1854 versus 2100 in 2019)
4. Finally, again this year the 2020 Maintenance fee forecast is unaffected by the decision to purchase Building I as its' anticipated rental will more than offset budgeted expenses thus allowing the property to be a stand-alone self-sustaining investment.

In response the Board and Management of the resort are rebalancing strategic priorities to make marketing its top priority. A robust rental program has helped bring in some revenue, but the resort still needs a much stronger online presence. Red Awning, a channel management company, has been engaged to get the resorts' rental inventory out to all the major lodging websites. The resort will also be increasing its advertising program through social media to further increase rental income, especially focusing on the offseason. Finally, management will continue to connect with industry trends and opportunities including the re-evaluation of existing block ownership program with MROP, and points programs (ShorePointe) to ensure maximum benefit continues to be received

Your assistance is requested. You can help by posting reviews on TripAdvisor, Yelp, Google, Facebook.

In addition, by spreading the word about the resort and its rental programs to friends, family and co-workers, can go a long way to assisting.

In this regard please make use of the resort's program of making charitable donations for our owners' charities which helps gain exposure to potential long-term renters or owners

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