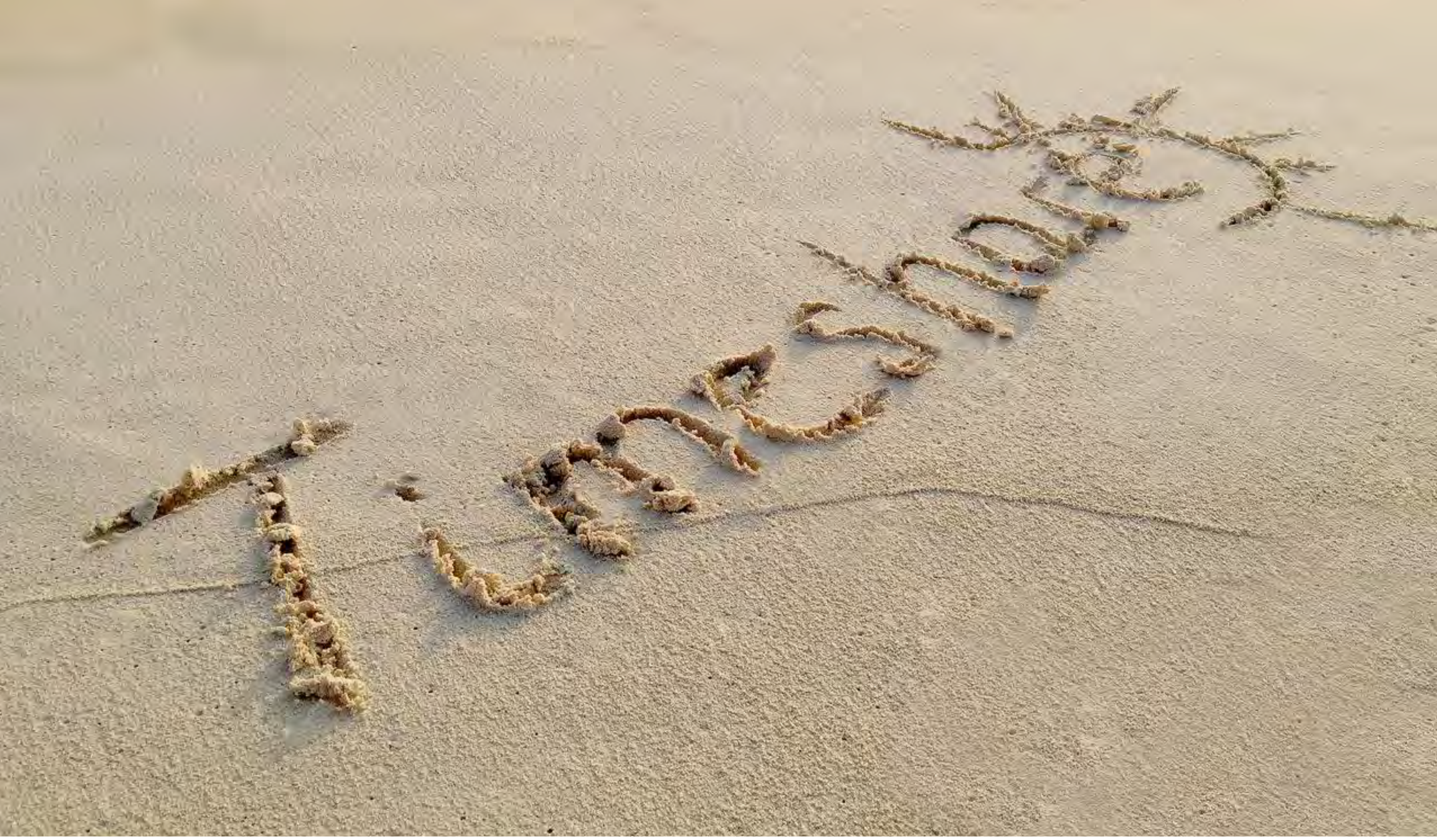

2017 WITHUM TIMESHARE BENCHMARKING REPORT

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At WithumSmith+Brown, PC (Withum), our team provides audit, tax, and advisory services to timeshare associations, management companies, developers and exchange companies. Our clients range from small, local associations to large, international companies. Our firm is dedicated to providing the skills and resources of a national firm with the price and outstanding service of an independent firm.

Through our involvement with the American Resort Development Association (ARDA), Florida Institute of Certified Public Accountants (FICPA), and other industry organizations, we have developed a wealth of knowledge and experience specific to the timeshare industry that helps us understand your needs and concerns. For more information about our firm and services that we provide please visit www.withum.com.

2017 Withum Timeshare Benchmarking Report Sections

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01. Executive Summary

Withum performed a research study by obtaining a sample of approximately 100 Florida timeshare associations' audits and budgets and summarizing the financial results and budgetary information. The data was analyzed and specific financial factors were reviewed. This study spans data from 2003 through 2015, and metrics are presented for different periods based on their relevance. This study is unique because it uses externally verified data from audits, rather than self-reported data. The averages presented are an aggregation of the historical financial data accumulated from the underlying financial records.

Based on the State of the Vacation Timeshare Industry: United States Study 2016 Edition conducted for the American Resort Development Association International Foundation ("ARDA Study"), there are 1,547 timeshare resorts nationwide and approximately 24% of these resorts are located in Florida, representing 32% of the units nationwide.

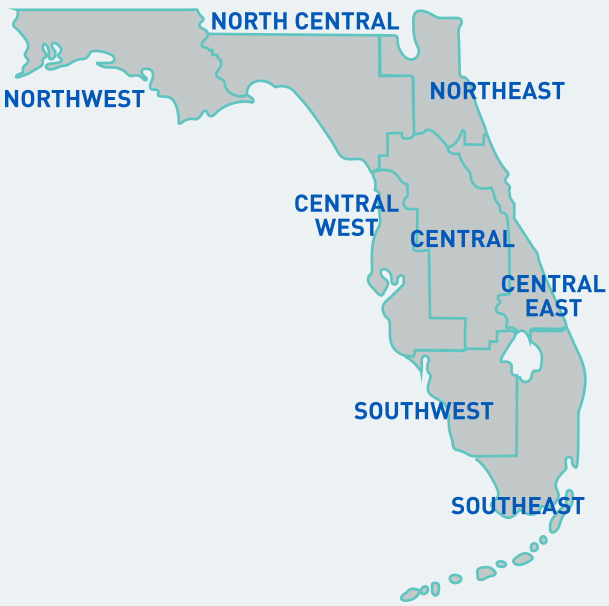
SUMMARY OF SAMPLE COMPOSITION

The 100 resorts included in the study represent 696,083 intervals or interval equivalents., which is an average of approximately 6,961 intervals (or 134 units) per resort. The sample was stratified into "small" and "large" resorts using a midpoint of approximately 3,000 intervals. Small resorts represent 12% of the total intervals sampled with an average of 1,652 intervals per resort. Large resorts represent 88% of the total intervals sampled with an average of 12,270 intervals per resort. The table below summarizes the salient information about the sample.

RESORTS REPRESENTED BY SIZE (MEDIUM)

Sample Size	100
Total Intervals Represented	696,083
Average Interval per Resort (Total)	6,961
Average Intervals: Small Resorts	1,652
Average Intervals: Large Resorts	12,270

In addition to stratifying resorts by midpoint, data analytics for the resorts were performed based on location in the state of Florida. Withum divided associations into 4 separate geographical categories which were central, northern, southeastern and southwestern regions. The location of each region in the state can be seen in the graphic on the following page.



THE AVERAGE RESORTS SIZE OF EACH REGION IS AS FOLLOWS.

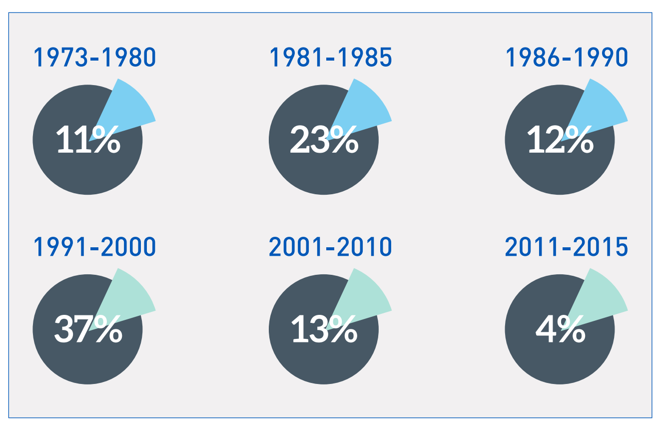
	REGION			
	NORTHERN	CENTRAL	SOUTHEASTERN	SOUTHWESTERN
Associations sampled	7	65	15	13
Total intervals	25,373	570,083	65,606	32,021
Average number of intervals per resort	3,625	8,771	4,574	2,463
Average number of units per resort	70	169	88	49

MANAGEMENT STRUCTURE

The management structure in place can often be an indicator in certain financial metrics. The majority of resorts are managed by the resort developer or its affiliate. For the sample, 67% of the associations fall into this category. In the ARDA Study, 7271% of the resorts included had the developer or affiliate managing the day to day operations, which is consistent with this study. The management structure by percentage for the associations in the sample are found in the table below.

MANAGEMENT STRUCTURE	PERCENTAGE OF RESORTS
Developer or affiliate	67%
Third-party management company	23%
Other (self-managed or undisclosed)	10%

AGE OF RESORTS



The average age of the associations in the study is 24 years old and are stratified in the table above.

FINANCIAL DATA

The average financial data presented is offered for comparison purposes for gauging association financial results and performance in certain areas. This information is useful to associations and management in comparing their specific situation with current industry trends.

02. Accounts Receivable and Bad Debts

Over the period of the study, there has been a significant increase in average gross accounts receivable and allowance for uncollectible accounts for resorts, on average. Allowance for doubtful accounts has been increasing at a faster rate than gross receivables which has caused the average allowance for uncollectible accounts percentage to double since 2003.

Accounts Receivable and Allowance for Uncollectible Accounts

Average gross accounts receivable as a percentage of total assets from 2015 to 2016 decreased slightly from 46% to 45%. The allowance for uncollectible accounts as a percentage of gross accounts receivable over the same period increased from 80% to 82%. The table below presents the average delinquent assessments receivable data for small and large associations.

AVERAGE DELINQUENT ASSESSMENTS RECEIVABLE

	OVERALL		SMALL RESORTS		LARGE RESORTS	
	2016	2015	2016	2015	2016	2015
Allowance for Uncollectible Accounts	$1,826,972	$1,823,510	$575,192	$505,862	$3,078,751	$3,196,060
Accounts Receivable	$2,222,321	$1,823,510	$654,061	$610,169	$3,790,581	$4,030,205
Percentage	82.2%	79.8%	87.9%	82.9%	81.2%	79.3%

THE BREAKDOWN OF THE AVERAGE ALLOWANCE PERCENTAGE OF GROSS RECEIVABLES FOR 2016 AND 2015 BY REGION CAN ALSO BE SEEN TO THE RIGHT.

As noted in the chart to the right, the northern and southeastern areas of Florida have the lowest allowance for uncollectible accounts as a percentage of gross accounts receivable and the central and southwestern areas have the highest percentage.

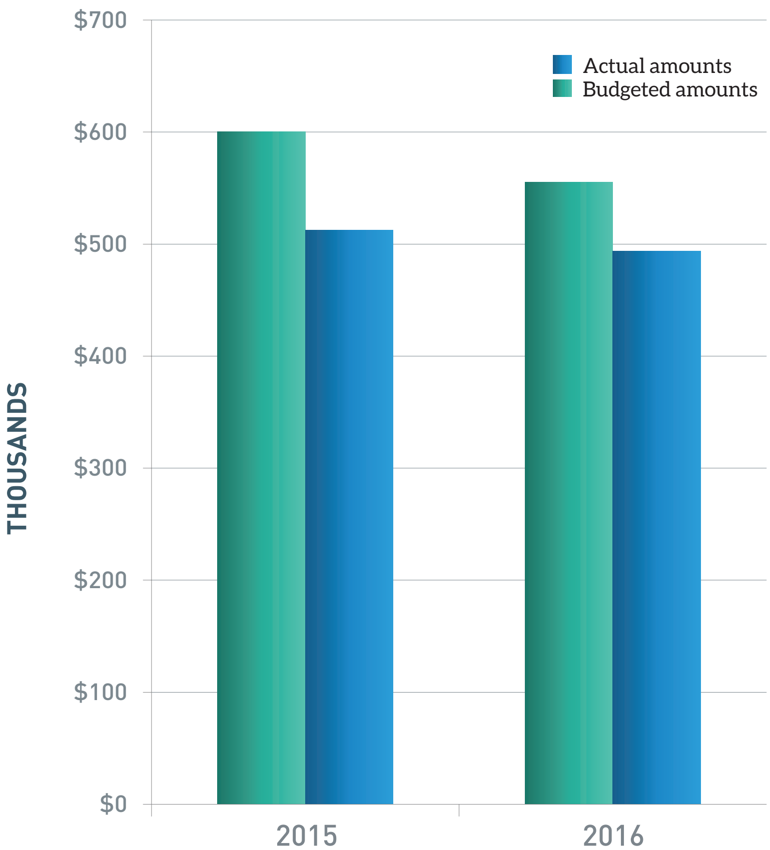
AVERAGE ALLOWANCE PERCENTAGE OF GROSS RECEIVABLES

	2016	2015
Northern	73.3%	64%
Central	83.0%	81.2%
Southeastern	75%	69.8%
Southwestern	86.5%	83.8%

Bad Debt Expense

Budgeted and actual bad debt expense both saw an increase in 2016 over 2015. However, the gap between average actual bad debt expense and average budgeted bad debt expense has increased from $59,103 in 2015 to $85,592 in 2016. This increase shows that from year to year, associations are having difficulty budgeting for actual delinquencies. These changes can be seen in the graph below.

▼ AVERAGE BUDGET TO ACERAGE ACTUAL BAD DEBT EXPENSE



Actual bad debt as a percentage of operating assessment revenue increased slightly from 11% in 2015 to 12% in 2016, and increased as a percentage of total assessment revenue, inclusive of replacement reserves and real estate taxes, from 9% in 2015 to 10% in 2016.

03. Liquidity

In terms of percentage of associations sampled, liquidity remained the same for 2016 compared to 2015 and is the strongest it has been in the last 5 years. Although budgeting has improved, associations are not increasing maintenance fees enough to put an end to "spending next year's money".

The table below shows that for 2015 and 2016, 47% of associations used some portion of prepaid assessments or next year's money, to pay this year's expenses. The averages presented in the table below are the average amounts for those resorts that used a portion of next year's collections prior to year-end.

LIQUIDITY	2016	2015
Number of associations with prepaid assessments in excess of cash and prepaid expenses	47	46
Percentage of total	47%	47%
Average cash + prepaid expenses	$1,912,429	$2,123,465
Average prepaid assessments	$3,103,510	$3,338,670
Net (next year's collections used for this year's expenses)	$1,191,081	$1,215,205
Percentage of associations with net losses in the operating fund	30%	35%
Percentage of associations with liabilities to the replacement fund	35%	40%

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ONE THING TO NOTE IN THE PREVIOUS TABLE IS THAT THE PERCENTAGE OF ASSOCIATIONS WITH NET LOSSES IN THE OPERATING FUND AND THE PERCENTAGE OF ASSOCIATIONS WITH LIABILITIES TO THE REPLACEMENT FUND DROPPED BY SIMILAR AMOUNTS FROM 2015 TO 2016.

These percentages usually correlate with each other as the replacement fund often is used to fund deficits created from operations, even though to do so is against Florida Statutes and most organizational governing documents.

When associations have operating deficits this creates more of a need to finance current year operations with prepaid assessments, borrow from accumulated replacement funds or levy special assessments to owners. Continued losses and increased deficits and borrowings from replacements funds are unhealthy indicators which could negatively affect an association's ability to continue as a viable entity.

04. Developer Involvement

The percentage of associations with developer guarantees remained steady at 11% from 2015 to 2016. For 2016, developer inventory as a percentage of total inventory was 16%. This was an increase of 5% from 2015 and correlates with the increase in bad debt expense referred to earlier which results in higher foreclosures. Often the foreclosed units will end up in the hands of developers, either via arrangements to acquire inventory from associations or because they foreclose on purchased notes receivable which frequently are also delinquent when dues assessments are delinquent.

For the resorts that had at least one association owned interval, the percentage of association owned intervals increased from 4% in 2015 to 5% in 2016. Associations acquire intervals through various means as a result of owners defaulting on assessments payments.

Interestingly, the percentages of association- and developer-owned inventory vary greatly between brand and non-brand managed resorts. The table below is a summary of percentages of total intervals that are owned by the developer and the association by group for 2016 to display how management structure and size change the metrics.

2016 PERCENTAGE OF INTERVALS	Average	Brand	Non-Brand	Small Resorts	Large Resorts
Intervals owned by developers	16%	19%	10%	18%	16%
Intervals owned by associations	5%	0%	5%	7%	4%

2015 PERCENTAGE OF INTERVALS	Average	Brand	Non-Brand	Small Resorts	Large Resorts
Intervals owned by developers	10%	11%	8%	10%	10%
Intervals owned by associations	4%	1%	5%	3%	1%

Significantly, we noted no association owned inventory in branded resorts. This highlights what some believe to be the biggest vulnerability faced by mature non-branded associations- the necessity to procure or develop a reliable resale program and compete for resale customers with developers.

05. Assessment and Expense Analysis

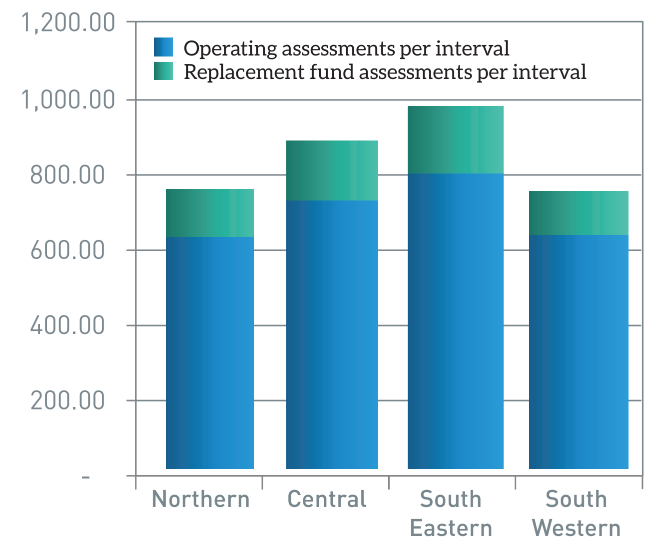
Assessment Overview

Assessments to owners rarely decrease, and the study shows consistent increases over 14 years of the study. Average total assessments for a weekly interval, including replacement reserves but excluding real estate taxes, were $846 in 2016 compared to $835 in 2015. This represents a 1% increase in total assessments per weekly interval.

When stratified by resort size, it is noted that the size of the resort does not necessarily affect the maintenance fee. The following table stratifies associations by the number of units and compares the average size and maintenance fee per interval (operating + replacement reserves).

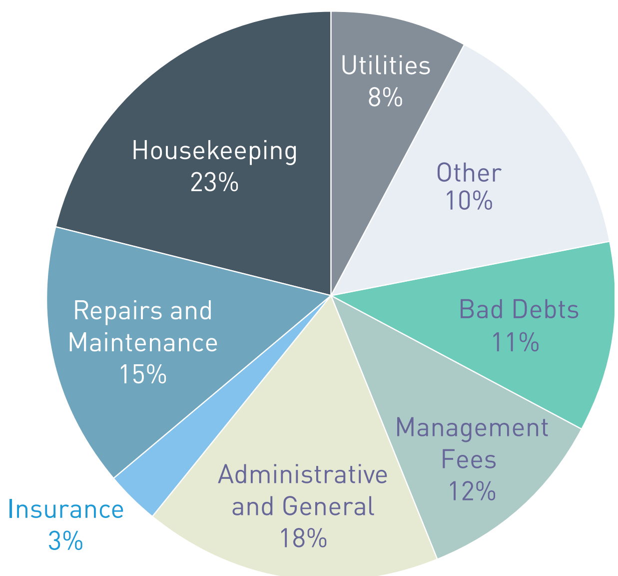
	2016			2015
Number of Units	% of Resorts	Average Size of Resorts, in Units	Average Maintenance Fee per Interval	Average Maintenance Fee per Interval
Less than 50	46%	30	$802	$800
51-100	18%	74	$947	$941
101-150	10%	118	$827	$805
151-200	7%	158	$763	$757
More than 200	19%	442	$924	$886

Assessments by geographical location can also be seen in the graph below. It can be noted that the southeastern and central parts of Florida have higher assessments per interval at $1,003 and $891, respectively.



Expense Comparison

Average total operating and reserve expenses per interval were $916 for 2015 and $949 in 2016. The average total assessments exclusive of real estate taxes net of operating and reserve expenses caused a net loss average of $81 and $103 per interval for 2015 and 2016, respectively. The $12 net loss per interval increase from 2015 shows that resorts are struggling to budget adequate assessments to cover the related expenses.

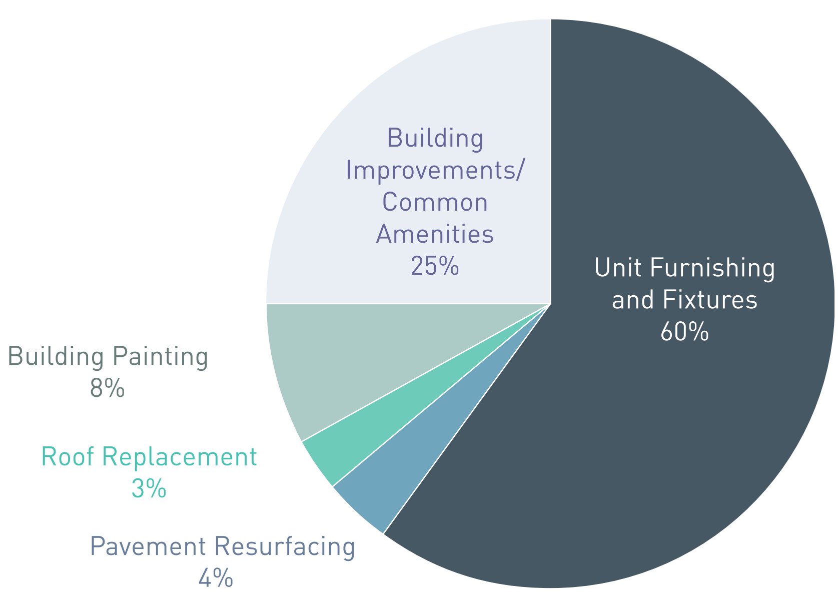


EXPENSE BREAKDOWN

The resorts included in the study have reported operating expenses largely in seven main categories: housekeeping, repairs & maintenance, management fees, bad debts, administrative & general, insurance, utilities and other, as depicted in the pie chart below for average 2016 operating results.

Most resorts include payroll in the functional expense category (i.e. repairs and maintenance, housekeeping, etc.) so payroll and the related benefits are not segregated as a functional expense category. These costs are by far the largest expense in most resorts, usually 25-40%.

REPLACEMENT FUND EXPENSES



The funding of replacement reserves is another important category. This funding is on average 18% of the total assessments levied to owners, exclusive of the real estate tax portion of the assessment. The timing of the actual expenditures is, by its nature, different than the assessments. Any given year can bring large projects, both expected and unexpected. For the measurement period used here, the average expenditures were less than average assessments. The pie chart below depicts how those replacement reserve dollars were spent as a percent for each component

06. Other Metrics

Management Fees

The average management fee as a percentage of budgeted annual operating assessments remained constant at 13% from 2012 through 2016. Average management fees per interval were $70 for 2016. The chart below summarizes average maintenance fees per resort as stratified by number of units in the resort.

AVERAGE MANAGEMENT FEES PER RESORT

Number of Units	Per Association	Per Weekly Interval	As a Percentage of Operating Revenue
Less than 50	$96,100	$1.35	8%
50-100	$313,000	$4.13	9%
More than 100	$1,355,000	$2.67	15%

Replacement Fund Expenditures

The study shows that over the five year period from 2012 to 2016, replacement fund expenditures have been on the rise. This increase comes as no surprise as the resorts are aging and thus are requiring more expenses for renovations. However, the impending issue is that the assessments for these major expenditures are not keeping up with the related costs thereby depleting the amounts saved. Over the 5-year period studied, replacement fund expenditures have increased at a rate of approximately 44%, whereas the related assessments increased at a rate of approximately 28%. In 2016, we saw a decline in budgeting for replacement fund savings as the assessments were approximately $156 per

interval versus the replacement fund expenditures of approximately $181 per interval. This was a regression from the prior year in which we saw a replacement fund net income of approximately $10 per interval.

Going Concern Matters

Of the sample audits included in the study for 2016, 8% noted going concern uncertainties compared to only 5% in 2015 and 1% in 2012.

Income Taxes

Of the associations included in the study, only 31% paid income taxes in 2016. By and large, this taxable income is generated from investment earning, rental income and other non-member sources.

Special Assessments

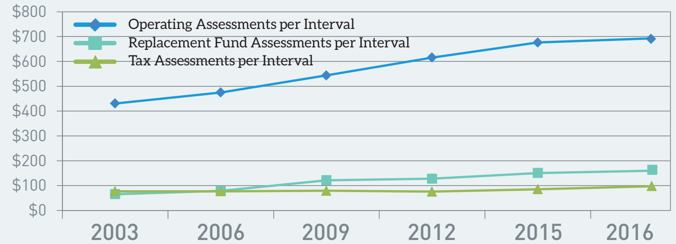
Only 4% of the resorts studied recorded special assessments during the year – two to fund operating deficits, and two for capital projects. This is a slight decrease from 2012 which reported 6% of resorts with special assessments and a slight increase from 2015 which reported 1% of resorts with special assessments.

07. Historical Measurements

Data collected for our study goes back to 2003 and since that year, many of the metrics that we study have changed significantly. The following charts and data depict just how much has changed.

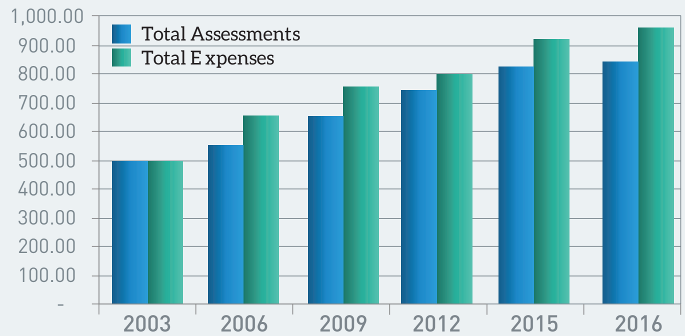
Over the 13 year period studied, there has been a 70% increase in operating and reserve assessments per interval. Real estate tax assessments per interval have remained steady in the same period. Even though total assessments per interval have seen a large increase over the period in the study, there has been a steady increase in total assessments per interval of approximately 5% per year. This can be seen in the chart below.

OPERATING, REPLACEMENT FUND, AND TAX ASSESSMENTS



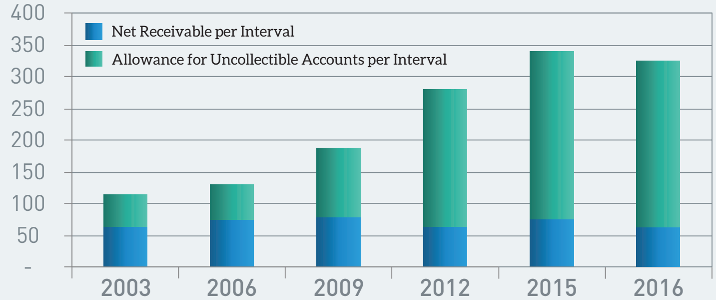
As noted above, total assessments per interval have been seeing a steady annual increase since 2003. This steady increase was necessary to make up for increased costs in maintaining the association. It can be observed in the chart below that both expenses and assessments per interval have increased since 2003. However, total assessments (operating + reserve) have not been increasing at a fast enough pace to keep up with related expenses.

TOTAL ASSESSMENTS VS. TOTAL EXPENSES



As the associations have aged, so have gross receivables per interval. Since 2003, average gross receivables per interval have increased from $111 to $325, an increase of 194%. Net receivables per interval for the same time period have fluctuated between $65 and $79. Over this time period, associations have seen the average allowance for uncollectible accounts as a percentage of average gross receivables to increase from 42% in 2003 to 81% in 2016.

RECEIVABLE PER INTERVAL



08. Conclusion

There are many metrics presented in the data above that are intended to help resorts identify potential problem areas and assist them in asking questions about differences to aid in improving resort health. As resorts are aging and operating costs continue to increase, resort operators and managers will need to maintain a careful watch to ensure that resorts can operate at a break-even point and continue to save for future major capital replacements. Bad debts and delinquencies, while fairly stable, need to be monitored constantly to identify whether projections are accurate and in order to address problems as they arise, not after it is too late. Finally, budgeting efforts should be realistic and not designed to keep assessments artificially low, which can cause operating deficits, special assessments, borrowing from replacement reserves and using increasing more of "next year's money" that the year before.

About Withum

Withum provides clients in timeshare, whole and fractional ownership associations and other industries with assurance, accounting, tax compliance and consulting services. For further information about Withum, this study, or the services they provide to the industry, contact Lena Combs (Lcombs@withum.com) or Tom Durkee (tdurkee@withum.com) at (407) 849-1569 or www.withum.com.

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