

The State of the Union

by **Steve Furrer**

2009 certainly was a year for the record books in more ways than one. There was the banking and credit crisis, not to mention record unemployment. All that, on top of ever rising costs, created "the prefect storm" that battered us all. Most businesses have been affected during the past year and Surfside Resort was no different.

The good news is that Surfside has made it through 2009 even after being hit with an unplanned \$40,000 upgrade to the outdoor pool and a \$10,000 insurance deductible to cover the fire in room 513. To help keep us on track, we have continued to find ways to cut costs without affecting service.

The bad news is that the economy is still shaky and bad debt is still climbing. We closed 2009 with a maintenance fee delinquency rate of 16%. Having budgeted for 11% Surfside experienced over a \$70,000 drop in available cash funds. For years the delinquency rate did not fluctuate, but in this past year we have seen that trend change. Additionally, year- to-date collections are running about 5% off from last year and although we have budgeted for a higher delinquency in 2010 it appears that at the current pace we will see another large increase. While we do not want to alarm you, it is important to understand that finances are extremely tight and we will be assessing Surfside's cash position very closely during the critical month of May.

In the interim, we are looking at additional ways to manage these issues by watching cash flow and general spending. Furthermore, we are outlining additional scenarios to help us deal with the cash shortage. Of course we are taking the usual steps to address delinquent owners by blocking usage and entering their week into a rental program as an attempt to recoup monies. Also, delinquent owner's accounts have been assessed with interest charges and in the next 30 days will be moved to outside collection agencies in an attempt to recover monies due. Additionally, cost reductions are in process in all departments and will continue to be evaluated regularly.

Long term planning is more complicated. It involves recovering delinquent inventory through foreclosure which is a time consuming and costly process. Taking back the inventory is only the first step. Re-selling the inventory to get a dues paying owner is a daunting task. To accomplish this task, InnSeason Resorts will be refocusing all our resources on selling reclaimed inventory. The good news is that InnSeason Resorts has retained its financing and will be able to build and maintain a strong sales program. Rest assured we will be highly focused on achieving this task and getting us through this tough period.

Change in Management

One thing that this economy has taught us is that we need to critically review and refine our business practices. To that end we have turned to an old friend, Vacation Resorts International (VRI) for their resort management expertise. We are pleased to announce that with the blessing and approval of your Board of Directors, we will be transferring the day to day management and operations of Surfside Resort to Vacation Resorts International during the next month. VRI has been providing professional management services to resorts, hotels and condominiums for 29 years and

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A NOTE FROM MICHAEL MacDONALD, General Manager

InnSeason Resorts Surfside, had a relatively uneventful winter...thankfully. The Cape was hit with a number of storms (weren't we all?), but fortunately for the resort the majority were not from the Northeast, so the resort sustained relatively minor damage. A little yard work and seasonal painting and we should be ready to welcome spring.



Room 513. Stop by and take a peak.



A model for future renovations.

Plus, as you know, the Outdoor Pool was redone at the end of last season and we look forward to opening it when the weather warms in the middle of April, and reaping the benefits of last years work.

The maintenance and housekeeping staffs have been diligently deep cleaning all the rooms as well as keeping up on the preventative maintenance; a daunting, ongoing task that keeps them busy all winter long.

We are also pleased to show off Room 513 for your comments. Since the room needed to

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About Vacation Resorts International

Your New Management Company

VRI is pleased to welcome owners at InnSeason Resorts to our family of managed resorts. VRI is celebrating its 29th year managing timeshare resorts throughout the United States. With over 140 resort affiliations in the U.S., Mexico and Canada, VRI is considered one of the largest and most successful independent timeshare management companies in the industry. Corporate and national reservation offices are located in Laguna Hills, California; however, VRI has maintained a regional office in Hyannis, Massachusetts since 1989.

Here on Cape Cod, VRI already manages nine (9) excellent resorts; the Cove at Yarmouth, Riverview, Brewster Green, Cape Winds, Club at Cape Cod, Sea Mist, Cape Cod Holiday Estates, SeaWinds II and Holly Tree Resort. VRI also manages Brant Point Courtyard on beautiful Nantucket Island. In the Northeast Region, VRI is responsible for resorts in New Hampshire, Vermont, New York, Rhode Island, New Jersey and Pennsylvania. A full list of VRI resorts can be viewed by visiting www.8664myvacation.com.



In addition to overseeing day-to-day operations at InnSeason Resorts Surfside, VRI will provide comprehensive financial accounting, owner reservation and exchange coordination, assessment billing and collections and rental services. These services are all supported by our own property management system and software called System 9900™. VRI supplier partners, including Home Depot Supply, Eco Lab, American Hotel Register, and Global Crossing Long Distance, and many others allow us to capitalize on national volume buying power for high quality products and services at all of

our resorts. VRI's alliance partnership with RCI and relationship with Interval International provides for discounted memberships, and travel opportunities, many available only to owners at VRI managed properties. Also, VRI's owner enhancement programs featuring VRI*ety, offer deeply discounted rental rates, travel, exchange and even cruise opportunities. All of these programs are now available to you as an InnSeason Resorts owner to provide you even more exciting ways to vacation and travel!

2009 Surfside Customer Satisfaction

Customer service scores for 2009 are in and overall, Surfside went up in 23 of the 31 categories Surfside is graded on. The Vacation Experience Rating went up by one point to an 88 giving Surfside the equivalent of a B+. We are happy to see that so many had a good vacation with us during 2009!

The biggest improvement was seen in Kitchen Supplies. Kitchen Supplies went from an 80 score in 2008 to an 85 score in 2009. Our staff received high scores too. Reservations and Maintenance went up one point to a 95 and a 93, respectively. Front Desk and Housekeeping both saw a two point improvement bring them to a 95 and a 93.

These scores represent only 23% of all the guests who stayed at Surfside throughout 2009. The next time you are staying with us, please let us know what you think. The comment cards are used to focus our improvement efforts so if you don't let us know, we can't fix it. You can fill out the card in your room or submit your comments via email after your stay. We value your comments and look forward to hearing from you!

2010 Summer Reminders

With summer around the corner, there are a few reminders we want to share with you regarding your stay at Surfside:

- Please remember that there is only one parking space per unit. With limited parking availability and high occupancy during the summer vacation months, we must strictly enforce this rule. Please make sure to register your vehicle with the front desk at check-in to avoid confusion.
- If you would like to take advantage of your resort day-use owner benefit, please make sure to call the front desk either the night before or the morning you plan to come. Due to the parking limitations, the resort would like to make sure that there will be extra space for you to park your car while you spend time at the pool or at the beach. Also, please remember to check-in with the front desk when you arrive for day use to register your car for the day.
- Be gentle on our septic system. Please refrain from pouring things down the drain, especially things such as cooking grease and fats because they can easily coagulate and cause a system failure.

You are part of the InnCrowd

InnSeason Resorts is proud to introduce a brand new program, designed to help you earn money! Real Cash. Cash you can use for fun...or bills. (You can even pay your Maintenance Fee). The program is called "The Inn Crowd".

You are already a member. You can earn just by sharing great vacation offers with your friends, creating referrals. We create invitations just for you, and all you have to do is forward them to your friends and associates. What could be easier?



The invitation contains your InnCrowd Rewards Number so that we can track your referrals. So when your guests visit us...you earn credits. You can even track your own referrals when you log-in to your account on Owner's Inn at www.innseason.com.

To see our current InnCrowd offers log-in the InnSeason Resorts Owner's Inn. You'll see the navigation to the InnCrowd in the left navigation bar. Check it out. Make sure we have your correct email, and then just watch for the offers. Your friends will love it.

OWNER UPDATES

There are a lot of exciting changes going on here at your resort, and there will be more in the near future. We will be setting up Owner Update meetings at the resort and in various locations throughout New England to keep you and other owners informed. We will of course notify you of any meetings appropriate for you, but should you be interested in initiating one, please give us a call at 866-873-2766. As always, make sure we have your updated contact information (especially email address) so we can keep you apprised of any news.

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currently manages over 140 resorts in the United States, Mexico, Canada and Hawaii. Indeed most of you will remember that VRI managed Surfside from 2000 – 2004. Since that time VRI has continued their growth and adding owner programs that will enhance your families travel and vacationing needs.

Our partnership with VRI will better enable InnSeason to concentrate on our core business; sales and growing the InnSeason brand and Club. InnSeason will be better positioned to provide sales and resales services to the resorts and Club; a critical component in managing delinquency and maintaining healthy resorts. What does this change mean to you? More owner benefits and travel opportunities. The transition itself should be virtually seamless to you. Resort staff and onsite management will remain the same and InnSeason will still be very much involved. Some phone numbers may change for different services but you will still have access to InnSeason programs and benefits such as Owner's Inn web site with online access to forms and account information.

InnSeason Resorts standards and quality will stay the same. The brand which we have so carefully cultivated will continue to grow. You will have the best management team available supervising the day-to-day operations at your resort and you will have the best Sales and Marketing team available to ensure the financial stability and growth of your resort; literally a win-win situation. A great way to start the New Year and decade. Please see additional information from VRI in this newsletter. You will receive ongoing communication from VRI and your resort about this transition, but basically you really have only one thing to do. Start planning your vacation. This year's will be better than ever.

FALMOUTH SUMMER ACTIVITIES

Looking for something to do this summer during your stay in Falmouth? Check out these great ideas:

JUNE:

Nobska Lighthouse Tours

9:30 am – 11:30 am

6/19 – Strawberry Festival at St. Barnabas

6/26 – Mashpee Chamber's Night of 100 Wines

JULY:

7/2 thru 8/27 – Summer Concerts on the Green (Friday Nights)

7/4 – Falmouth 4th of July

Fireworks display

7/7 - 8/25 – Movies Under the Stars

7/16 thru 7/24 – Barnstable County Fair

7/4 – Mashpee Night at the Pops

7/31 thru 8/7 – Woods Hole Film Festival

AUGUST:

8/14 & 8/15 – Cape Cod Stampede

8/15 – CIGNA Falmouth Road Race

For other ideas, stop by the front desk and ask! There's always an adventure to be had on Cape Cod in the Summer!



A NOTE FROM YOUR GM

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be completely restored we took the opportunity to remodel and try the new decorating and remodeling scheme that we will roll out to all units in the future. So, we invite you to stop by for a preview and give us your much appreciated comments. Our goal is to use your responses to establish the theme and style for the rest of the resort. Comment cards will be available onsite and via a link from your web site. We are particularly interested in your opinions of the furniture and hard surfaces (floors and counters). We look forward to seeing you this year, and of hearing your comments.

SURFSIDE REFERENCE LIST

VRI Owner/Member Services:508-771-3399
Maintenance fees508-771-3399
Payment Plans508-771-3399
Changes of or additions to ownership508-771-3399

Email:.....nememberservices@vriresorts.com

Central Reservations:800-228-2968

Fixed week reservation800-228-2968

Float week reservation800-228-2968

Bonus time800-228-2968

Deposits with Exchange Company800-228-2968

Email:.....innseason@vriresorts.com

Surfside Resort508-548-0313

Fax:508-457-4775

General Manager: Michael MacDonald508-548-1010

Front Office Manager: Keath Driscoll508-548-0313
ext. 402

Interval International InnSeason Desk:800-828-8200

www.intervalworld.com

Plan your Summer escape now

Spring is here. Time to start planting gardens and making plans for summer. Certainly, you know the beauty of Cape Cod in the summer, but have you experienced summer in the White Mountains? It is a real treat for the whole family. There are endless activities for kids. Everything from water parks, to trained bears, train rides and tram rides up mountainsides. For those of you who love adventure, there are hiking and biking trails, zip-lines and kayaking. And there is the endless natural beauty of the area. Franconia Notch State Park features The Flume Gorge and its spectacular water falls. There are simply tons of activities...regardless of your age or your interests...so if you haven't made your summer plans yet...consider Lincoln, New Hampshire...and the beauty of the Loon Mountain valley. Call 866-873-2766.



InnSeason Resorts Pollard Brook, Lincoln, NH

InnSeason Resorts Surfside

212 Mid Tech Drive

West Yarmouth, MA 02673