FINANCIAL STRATEGIES MASTER WORKSHEET

1**. FIGHT -** Try and continue to force HM to pay what he is supposed to pay to fix things and wait for rental income and property values to increase accordingly.

2**. FLIGHT** - Sell now and avoid paying anymore assessments or fees.

3**. DELAYED FLIGHT –** Pay HM what he wants to get the inside pool/spas and north pool open, then sell at a higher price.

4**. PAY UP & SHUT UP** - Pay HM what he wants to get all the important amenities open, then sell our units at an even higher price.

5. **PAY UP & PLAY** - Negotiate with Developer for us to take care of and pay for everything, in return for replacing the Easement Agreement with a lease back of the common areas.

6**. PAY UP & MANAGE** – Negotiate with Developer for us to take care of and pay for everything, in return for replacing the easement agreement with a lease back of the entire hotel.

7**. PAY UP & OWN PART OF IT** - Negotiate with Developer to buy out the common areas, leaving him in control and ownership of the income producing parts of the hotel, and make it conditional on our being allowed to pay to get the amenities open asap.

8. **OWN IT ALL** - Redeem and Restore DBR - Negotiate with Developer now to buy out the whole hotel and make it conditional on our being allowed to pay directly to contractors to get the amenities open asap.

9 **FIGHT TO OWN IT ALL** - Redeem and restore DBR – Look at all legal options to legally take over the property, while negotiating with HM to buy out the whole hotel and make it conditional on our being allowed to pay directly to contractors to get the amenities open asap AND our dropping all lawsuits upon signing the contract.

1. FIGHT - Try and continue to force HM to pay what he is supposed to pay to fix things and wait for rental income and property values to increase accordingly.

COSTS: Unable to determine what the future legal fees will be.

ROI: Unable to determine.

PROS: Could put pressure on HM to better negotiate to gain a new agreement, lease or sale of part/all of property.

CONS:

* Decreased rental income and property values, until things change.
* Loser pays legal fees, per Easement Agreement.
* Owners paying for unaccounted attorney's fees.
* Owners may ask less in rents, to gain more guests, creating an offsetting problem of having less desirable guests/tenants occupy DBR.
* Owners unable to pay other associated costs.
* Owners being forced to sell at lower prices or be foreclosed on.
* Owners losing hope that things can change.

OTHER OFFSETS OR CONSIDERATIONS:

* Require Board to account for attorney's fees being paid.
* Require attorneys to use an If/When strategy to get paid.
* Require "loser pays" in any dispute settlement (when we pay 100% or the 90% HM requires).
* We should assess our liability for future legal fees realistically, net reimbursement by developer where developer loses, but we pay developer where we lose.
* Owners getting loans or taking on co-owners to pay for their expenses and assessments.

CONCLUSION: This is not an actual strategy, but rather a course of action. Therefore, it could be used as part of a "master strategy", to put pressure on HM to better negotiate to gain a new agreement, lease or sale of part/all of property, if the Cons can be effectively offset.

2. FLIGHT - Sell now and avoid paying any more assessments or fees.

COSTS: Any more assessments made before closing.

ROI: Estimated Loss of 15% - 25%. Based on taking a 20% - 25% hit from 2022 values, while factoring in rental income versus expenses for 2023. Estimated LOSS of ROI (from 2022 values) would be 15% - 25%.

PROS:
* Get out of this mess without risking paying/losing any more money.
* Ends the emotional grief.

CONS:
* Some may take a loss on their investments.
* No way to recover losses made.
* With 1 out of 5 DBR units currently on the market, the chances of selling with the shape the resort is in, even at a low price are slim.

OTHER OFFSETS OR CONSIDERATIONS:
* If you want to sell a unit that connects to another, ask your neighbor about buying from you.

CONCLUSION: Some owners may have no other choice but to sell, for personal or financial reasons. If owners are provided with a strategy that could allow them to hold on to their property, to gain a better ROI, then they may decide to take their property off the market and support the candidates that pledge to implement this strategy, if elected.

3. DELAYED FLIGHT – Pay HM what he wants to get the inside pool/spas and north pool open, then sell at a higher price.

HM Cost: Monthly cost = $36,680 ($31,280 for labor, $3,500 pool co., $1900 chemicals and monitoring)
ACTUAL Cost Estimate = $14,000 ($10,000 labor, $4,000 for pool co, & chemicals)
BUDGET = $4,000 ($3500 for pool co. plus $500 for chemicals)

COSTS: $36,680 - $4,000 = $32,680/ 300 = **$109 per owner, per month**, plus any more assessments made before closing.

ROI: Estimated loss of 8% - 12%. Take up to a 10% hit from 2022 values. $250K - 10% = <$25K> less the difference between budget and HM cost = $33K / by 300 owners = $109 X 3 months (to sell) = $327. TOTAL TO LOSE = <$25,327>.

PROS:
* Would only have to pay **$327 more** (over 3 months) to gain approx. $25L less in loss (from FLIGHT strategy).
* Can increase rental income, which should offset the $330 increase in costs and improve the loss in ROI.
* May be able to delay selling, due to increased rental income, with the hope that things will improve even more.

CONS:
* Some (newer owners) would see a loss on your investment.
* Unable to recover losses made.
* If any assessments made before closing, comes to more than $25K, then selecting the FLIGHT strategy would be better. This is probably doubtful.
*** HM failing to honor the new agreement and not open the pools or close the pools again.**
*** Setting a precedent for this cost to be paid on an ongoing basis.**
*** Could open the door, to allow HM to double the charges to open the other two pools.**

OTHER OFFSETS OR CONSIDERATIONS:
* This should have been done last July, even as a temporary solution while working on other solutions. (we all lost more than $122 per month in rental income over the past year).
*** Try and negotiate on this first, to see what it takes to get the pools opened asap.**
> We could first offer to pay 100% for things, rather than the 90% he is asking for.
> We could consider making payments in protest with a loser pay clause, to recover funds later.
> Could repair pools without heater working, to get them open.
> We need a way to enforce developer's promises that are swift and sure, so that there can be no further delays without severe penalties imposed on the developer if he is responsible for them. A

notarized irrevocable power of attorney permitting liens and foreclosure rights to other of his properties would probably work.

CONCLUSION: To use this Strategy alone, will not allow for half of the Cons to be offset, thereby creating opposition by owners to elect candidates that are opposed to "caving into HM". If owners are provided with a strategy that could offset half of the Cons, so that this strategy is included in a Master Strategy, to gain a better short term and long-term ROI, then they may decide not to sell their property and support the candidates that pledge to implement this strategy, if elected.

4. PAY UP & SHUT UP - Pay HM what he wants to get all the important amenities open, then sell our units at an even higher price.

Seawall $1,500,000 to $2,500,000, Pool Deck $250,000 to $500,000, Pools $10,000 to $30,000 to include heater and pump repair), Garage $1,000,000 to $2,000,000.

Plus the COA is responsible to pay $1,500,000 - $2,700,000 for new roof, and $100,000 - $300,000 for north 5th floor ceiling and $1,000,000 for elevators repair, with offsetting funds available to pay for Seawall = $2,000,000 and for roof = $500,000 (in Reserves). TOTAL of $1,500.000.

Note: any use of reserve funds, would require fees to be raised or assessments to be made to replenish the reserve account, up to the new standard required to be met in 2025.

COSTS: Low = $3,610,000, Median = $4,820,000, High = $6,030,000. Subtracting $2,000,000 for seawall assessments and $500,000 held in reserves to help fix roof, the net numbers look like this: Low of $1,110,000 or **$3,700 per owner**, median of $2,320,000 or **$7,733 per owner**, high of $3,530,000 or **$11,767 per owner.**

ROI: Estimated 2% - 5% (based on 2022 values). $250K @ 10% increase in value = $25K - $11,800 (using high costs) = $13,700.

PROS:
* Gets amenities opened.
* Increased rental income, which would increase the ROI.
* May be able to delay selling, due to increased rental income, with the hope that things will continue to improve.
* Could begin to consider implementing an in-house rental program.

CONS:
* Additional investment costs of $13,700 may exceed an owner's ability to pay.
* HM failing to honor the new agreement or pay for things to be done.
* Legality of COA paying for things, that the court has ordered HM to pay for (like garage).

OTHER OFFSETS AND CONSIDERATIONS:
* Add requirement that we pay all the bills directly.
* We need a way to enforce developer's promises that are swift and sure, so that there can be no further delays without severe penalties imposed on the developer if he is responsible for them. A notarized irrevocable power of attorney permitting liens and foreclosure rights to other of his properties would probably work.

CONCLUSION: As some of the Cons cannot be offset, using this Strategy alone, the risk is not worth the reward, and it would create opposition by owners to elect candidates that are opposed to "caving into HM". If owners are provided with a strategy that could help offset the Cons (especially for how to help pay for the investments required), so that this strategy is included in a Master Strategy, to gain a better ROI, then they may decide to support the candidates that pledge to implement this strategy, if elected.

5. PAY UP & PLAY - Negotiate with Developer for us to take care of and pay for everything, in return for replacing the Easement Agreement with a lease back of the common areas.

Since we were to pay contractors directly, these costs would be lower than us paying HM to pay for them: Seawall $1,500,000, Pool Deck $100,000, Pools $20,000 (including for heater and pump repair), Garage $1,000,000. TOTAL = $2,620,000.

Plus the COA is responsible to pay $1,500,000 - $2,700,000 for new roof and $100,000 - $300,000 for north 5th floor ceiling and $1,000,000 for elevator repairs. TOTAL = $4,000,000 (using highest calcs)

Offsetting funds available to pay for Seawall = $2,000,000 and for roof = $500,000 (in Reserves). TOTAL of $2,500.000.

$2,620,000 + $4,000,000 = $6,620,000 - $2,500,000 = $4,120,000

COSTS: $4,120,000 or **$13,733 per owner**. If COA pays for all repairs, the monthly lease could be as much as $10,000 per month or **$33 more per month** for owners.

ROI: Estimated 13% - 20% (based on 2022 values). $13,800 paid per owner (for us to get everything fixed up), would easily be offset by an increase in property value and increase in rent. A 15% - 20% increase in property values (over 2022 values) would mean an extra $37,500 - $50,000 if sold after a year. An increase in rental income by 50% would create an additional profit of $10,000 - $15,000 per year. Thereby increasing the ROI from 13% to 20% in one year.

PROS:
* Gets amenities opened.
* Increases rental income.
* Control of the common areas.
* Decreased ongoing costs, as we won't be paying HM, but paying directly.
* Gain control of the front desk and management.
* Could fully implement an in-house rental program, to provide a new income source for the COA to help offset management costs.
* Could consider an in-house management program to fully manage the property.
* Would require less up-front money than a purchase.

CONS:
* Renting will require ongoing monthly payments, without creating equity. (Note: $10,000 a month in lease payments, would equal $120,000 per year, totaling $600,000 over 5 years)
* Would make us responsible for (cost of) future repairs.

* Could put is back in the same position, if HM doesn't make the repairs.
* What happens when lease expires, unless put in a very, long term lease.
* HM could leverage property for loans.
* Not very different in cashflow and management authority from outright ownership, for the duration of the lease (if the lease is fair and authority and responsibility are in balance), though toward its end there will be disputes about the condition that the property should be in when it in fact expires.

OFFSETS AND OTHER CONSIDERATIONS:
* Only consider a very long-term lease.
* Decide on what the maximum monthly lease payment would be.
> HM may have previously said he would lease back for $10,000 per month.
* Could put an option to buy clause in the lease and/or try and have a percentage of payments go towards principal and/or allow for option to buy at a specified time in the future (or when the lease expires) at a price that is indexed to inflation.

CONCLUSION: All of the Pros can be gained by purchasing the common areas, which would also negate the Cons. Although a comparison would have to be made for initial and monthly costs, between leasing or owning. Therefore, this option should be considered as a backup plan, if other better options are unable to be negotiated.

6. PAY UP & MANAGE – Negotiate with Developer for us to take care of and pay for everything, in return for replacing the easement agreement with a lease back of the entire hotel.

COSTS: $4,120,000 or **$13,733 per owner** to make the repairs. The lease may be $10,000 - $20,000. Whatever the lease amount is greater than Option 5, then the revenue from the hotel assets would need to be greater than that amount offset the costs. I.E., If the lease is $10,000 more than Option 5, then we would need to gain at least $10,000 in revenue from the assets, to offset the expense. Any revenue greater than the lease amount, could be factored in to lower fees and increase the ROI.

ROI: Estimated 20% to 35%. $13,733 paid per owner (for us to get everything fixed up), could be offset by an increase in property value and increase in rents. A 15% - 20% increase in property value would mean an extra $37,500 - $50,000 if sold after a year. An increase in rental income by 50% would create an additional profit of $10,000 - $15,000 per year. Thereby increasing the ROI to as much as **25%** in one year. And the ability to have an in-house rental program could lower the monthly fees by as much as $200 per month or more. It is estimated that a decrease in monthly fees of $100 per month increases the property value by $10,000. So, a $200 decrease in monthly fees, would allow for another $20,000 increase the property values or up to 35% in one year.

Projected profits/losses from hotel are TBD and will depend on whether we sublet any of the assets or run them ourselves.

PROS:
* Gets amenities opened.
* Increases rental incomes.
* Clarifies ongoing responsibility
* Allows us to have control over common areas.
* Could implement an in-house rental program, to provide a new income source for the HOA to help offset management costs.
* Puts us in control over revenue producing assets.

CONS:
* Could make us responsible for (cost of) future repairs.
* Could put is back in the same position, if HM doesn't make the repairs.
* This would be the biggest fear, HM closing everything after all that work and money spent.
* What happens when lease expires, unless put in a very, long term lease?

OFFSETS AND OTHER CONSIDERATIONS:
* Only consider a very long-term lease.
* Decider on what the maximum monthly lease payment would be.
* Could lower the lease, if promised HM a percentage of the profits/revenue.

* Could put an option to buy clause in the lease and/or try and have a percentage of payments go towards principal and/or allow for option to buy at a specified time in the future (or when the lease expires) at a price that is indexed to inflation or performance of the restaurant, bar, conference room, laundry and vending machines, parking revenues, real-estate taxes, operating expenses, etc.

CONCLUSION: All of the Pros can be gained by purchasing the entire hotel, which would also negate most of the Cons. Although a comparison would have to be made for initial and monthly costs, between leasing or owning. Therefore, this option should be considered as another backup plan, if other better options are unable to be negotiated.

7. PAY UP & OWN PART OF IT - Negotiate with Developer to buy out the common areas, leaving him in control and ownership of the income producing parts of the hotel, and make it conditional on our being allowed to pay to get the amenities open asap.

COSTS: $13,733 paid per owner (for us to get everything fixed up), plus the cost to purchase the common areas. If this cost $1,000,000, then the total cost to owners could be $5,120,000 or **$17,066 per owner.**

ROI: Estimated 24% - 31%. The costs of $17,066 paid per owner would easily be offset by an increase in property value (as we would also own the common areas) and increase in rents. A 20% - 25% increase in property value would mean an extra **$50,000 - $62,500** if sold after a year. An increase in rental income by 50% would create an additional profit of **$10,000 - $15,000** per year. And the ability to have an in-house rental program could lower the monthly fees by as much as $200 per month or more. It is estimated that a decrease in monthly fees of $100 per month increases the property value by $10,000. So, a $200 decrease in monthly fees, would allow for another $20,000 increase the property values. Thereby increasing the ROI to as much as **40%** in one year!

PROS:
* Gets amenities opened.
* Increases rental incomes.
* Allows us to have total control over common areas, including the front desk.

CONS:
* Would make us responsible for (cost of) future repairs.
* Could put us back in an inferior position, if HM doesn't make improvements to open facilities.
* There is little operational difference between a lease and ownership of the common areas, except what happens when a lease is about to expire.
* Need for increased management, without gaining offsetting funds to pay for it ,except for an in-house rental program.

OFFSETS AND OTHER CONSIDERATIONS:
* We would need the Easement Agreement renovated to impose severe penalties for disreputable conduct, including the right to impose liens on other properties owned by the developer. If we the room owners have management authority and liability for expenses relating to various components of the building, then it in practice makes little difference who is the literal owner.

CONCLUSION - Therefore, the best long-term outcome is buying out the common areas from the developer, versus leasing it.

8. OWN IT ALL - Redeem and Restore DBR - Negotiate with Developer now to buy out the whole hotel and make it conditional on our being allowed to pay directly to contractors to get the amenities open asap.

COSTS: $13,733 paid per owner (for us to get everything fixed up), plus the cost to purchase the entire hotel. If this cost $5,000,000, then the total cost to owners could be $9,120,000 or **$30,480 per owner.**

ROI: Estimated 35% - 40%. The **$30,400** paid per owner would easily be offset by an even greater increase in property values and increase in rents. A 30% increase in property value would mean a profit of **$75,000,** if sold after a year. An increase in rental income by 50% would create an additional profit of **$10,000 - $15,000** per year. Thereby increasing the ROI to as much as **25%** in one year. And the ability to have an in-house rental program could lower the monthly fees by as much as $200 per month or more. It is estimated that a decrease in monthly fees of $100 per month increases the property value by $10,000. So, a $200 decrease in monthly fees, would allow for another $20,000 increase the property values or up to almost 40% in one year.

Projected profits/losses from hotel are TBD and will depend on whether we sublet any of the assets or run them ourselves. I am still waiting on Projections to analyze this.

PROS:
* We are in control to make DBR a very special resort.
* We can gain control of all potential income producing assets and create, spin off income producing businesses: Restaurant/Tiki Bar/Food and Beverage for Conference Center, Conference Center rental, In House Rental Program (to enable owners to be "hands off" to gain passive incomes), Leasing Spaces or setting up side businesses (game room, spa, boutique, etc.), Laundry Rooms, "All Inclusive " Resort.
* Each owner owns a piece of the entire resort.

CONS:
* Could be negotiating from a position of weakness, rather than a position of strength.
* We get the control, also the expense. It will be immense.
* Inability for a Board to manage the resort. Would need to hire a Management Company OR build an in-house management team.

OFFSETS AND OTHER CONSIDERATIONS:
* Before negotiations begin, we have the option of looking up, in public records, what LLC's the developer owns that are directly or indirectly tied to DBR, what loans exist that use such property as surety.
* Pressure point to consider – any recent litigation with particular emphasis on disreputable

conduct and notifying the creditors of developer's malfeasance and asking for help.
* Need a business plan and management company/staff in place!
* What about management? We have board candidates who have management experience.
* HM will probably offer owner financing for some/most of the purchase.
* A loan could be made to offset initial costs and help spread out the costs over time, which could be offset with increases in revenue.
* If a bank could see a 51% vote to approve the strategy/contract, they will be more likely to grant a loan to the COA and/or to individual condo owners.
* City resources (dedicated to helping Daytona become the place to hold conferences, could be used to help finance
* If too many owners are unable or unwilling to pay to purchase the hotel, then other owners could pool their money and a start new company
* If the developer can borrow on the strength of the building infrastructure than so can we.
* It may be also possible to commit, in the form of conditional liens on our own units, to guarantee up to $10,000 each unit as surety against loan default. That way, if there is a default in the purchase loan, then we will be stuck with a $10,000 assessment but in return for that risk we pay more or less $10,000 less up front.
* If we wince at the expense and buy, cash upfront or through a loan, the building, then we inherit the right to run the restaurant, bar, and conference rooms at a profit, reducing the cash outflow. We can improve matters with short-term nonrenewable leases for those facilities as a stopgap to withstand our expense. Then after five years or whatever, we take over unless the renter does a great job with management.
* Buy out completely, but the developer gets a specified percentage of the net revenue from the restaurant, bar, parking garage, etc. for five years or ten years. This option would provide the developer with revenue and little legal hassle and would give us the facility without having to pay the developer everything up front. How to account for this to be enforceable?

9. FIGHT TO OWN IT ALL - Redeem and restore DBR – Look at all legal options to legally take over the property, while negotiating with HM to buy out the whole hotel and make it conditional on our being allowed to pay directly to contractors to get the amenities open asap AND our dropping all lawsuits upon signing the contract.

COSTS: Same as Option 8, except legal fees would need to be added. These legal fees could be offset by gaining lower purchase price and/or better terms.

ROI: Same as Option 8, except for the changes in purchase price and costs of legal fees.

PROS: Same as Option 8, with the addition of being able to negotiate from a position of strength.

CONS:
* Same as Option 8.

OFFSETS AND OTHER CONSIDERATIONS:
* Need to closely watch how Legal Fees are spent, to protect our ROI.
* Need a business plan and management company/staff in place.

CONCLUSION: Employ this, if we can't negotiate agreeable terms for another option.