

## **Alto Club Associates**

### **Questions and comments received for the 29<sup>th</sup> AGM**

The following summarises the questions and comments received from members in advance of the AGM and the Committee's response to them. Where multiple questions have been received along similar lines, we have collated the questions together. Members should also familiarise themselves with the email updates sent to members on 22<sup>nd</sup> April, 22<sup>nd</sup> June and 21<sup>st</sup> August 2020, copies of which are available on the Resort Solutions website, on the Resort News section of the Alto Club page.

**Question: When do the Committee expect to be in a position to finalise the partial maintenance fee credit due to members affected by the COVID-19 outbreak as outlined in the Chairman's email updates to members of 22<sup>nd</sup> April and 22<sup>nd</sup> June 2020?**

**Response:** At the time of writing to members in April and June, the Committee hoped and expected that the restrictions on members' ability to visit the Resort would have been lifted by now. This hope was boosted by the lifting of the travel restrictions to Portugal by the UK Government on 20<sup>th</sup> August 2020. However, the subsequent re-imposition of travel restrictions and the increase in the number of cases during September and October meant that the Foreign Office advice against travel to Portugal is likely to remain in place for the time being.

In order to finalise the calculation of any partial maintenance fee credit, the Committee require a reasonable degree of certainty over two key figures; the number of weeks affected and the quantum of cost savings which the Club has been able to achieve in the financial year 2020. Whilst the current situation persists, both figures are not capable of being determined with any accuracy, as the Committee cannot predict when travel restrictions might be lifted.

The Committee have reviewed the Resort's management accounts to 31<sup>st</sup> August 2020 and are pleased to report that some savings have been achieved in that period, albeit relatively modest.

However, since the Resort has re-opened the rate of cost savings has declined. Accordingly, whilst it is not possible to make any accurate prediction of what the eventual cost savings might be, the Committee are confident that savings have been made and will be available to be shared amongst the members who have been affected.

The Committee's intention is to finalise the extent of the partial maintenance fee credit as soon as it is possible to do so. Given the current circumstances, we do not expect to be in a position to do this until the accounts for the year ending 31 December 2020 are finalised, as any provision for maintenance fee credits will need to be reflected in those accounts. This may not be until March 2021.

Other questions have been received in respect of the detail of the calculation of the partial maintenance fee credit which the Committee believe were addressed in the email update of 22<sup>nd</sup> April 2020.

One owner questioned what would happen in respect of members who had successfully managed to claim their maintenance fees back from their travel insurance. Unfortunately, the Committee have no way of knowing which members may have been able to claim successfully through their travel insurance and so it is possible that some members may receive both a partial maintenance fee credit on top of insurance proceeds which they have already received. The owner concerned pointed out that this might represent insurance fraud. This is essentially a legal point on which the Committee are not able to comment. However, if such an action would constitute fraud, our understanding is that the fraud would be on the part of the member who had claimed an amount on their insurance which subsequently proved to be in excess of the loss suffered, and not on the part of the Club or Committee.

**Question: I have received a full refund from other travel related companies, why can I not get a full refund of my maintenance fees?**

**Response:** The Committee believe that they have already answered this question in the Chairman's email update to members of 22<sup>nd</sup> April 2020.

The key issue here is that Alto Club Associates is not a travel or accommodation company, it is a members' owned, not for profit Club representing all the timeshare members at Alto Club. As such, there is no pot of money or organisation standing behind the Club other than the timeshare members themselves. It is therefore to the members that the Club must look at times such as these. Maintenance fees due from members represents circa 90% of the Club's income and many of the costs that we face remain the same, irrespective of whether the apartments are occupied or not. It would simply not be possible for the Club to refund 100% of the maintenance fees paid by members who have been affected and for the Club to remain a viable entity, capable of providing holidays for its members for many years to come.

One owner has questioned why greater efforts were not made to reduce staff costs. As explained in the Chairman's letter of April 20, the three members of staff employed directly by the Club did not qualify for the support scheme offered by the Portuguese Government. Accordingly, the only option available to us would have been to make the staff concerned redundant. Given that the Resort was re-opened by early July and the high cost of redundancies in Portugal, not only would this would have been an extremely short-sighted decision, it would have cost the Club far more money than simply retaining the employees during the period the Resort was closed. Furthermore, it would not be the action of an organisation looking to ensure continuity of service. The Committee are 100% confident that they made the right decision in this respect. We are also grateful to note that we have been supported in this decision by far more members than have complained about not reducing staff costs.

For the avoidance of doubt, we were able to reduce partially the Resort's costs in respect of maid service as the staff employed in this area are agency staff. However, some costs were still incurred to retain a core of experienced maid staff and to allow for the deep cleaning of the apartments.

**Question: Why could members not be offered an alternative week from the Resort's stock of unsold weeks at an alternative time of the year?**

**Response:** The answer to this question has a number of facets. Firstly, there are simply insufficient unsold weeks for all members who have been affected to receive a week in exchange. The Club's unsold weeks currently number circa 600. The weeks which have been affected by COVID-19 to the end of August alone were already well in excess of 400 weeks with the prospect of that number growing significantly larger by the time the COVID-19 travel restrictions are lifted.

The second factor is that the vast majority of the Club's unsold weeks are in the off-peak winter season with relatively few in the shoulder season and virtually none in the peak summer season. Unfortunately to date, all of the members affected by the COVID-19 outbreak have been in the shoulder or peak season and the Committee do not believe the offer of a replacement week in January or February would have been an adequate exchange for most of those members.

The third factor is that the unsold weeks are a source of rental revenue for the Club. To the extent that weeks were offered free to members, the Club's rental income would be adversely affected and the Committee would be forced to increase maintenance fees to all members as a result.

**Question: After 20 years of enjoyable use we have struggled to obtain value in the last few years due to the lack of amenities during the legal dispute with CondoAlto and now, COVID-19. What options are the Committee considering for a pragmatic release process for members who wish to relinquish their ownership? Are there any plans for a similar scheme to that which was introduced a few years ago that involved the sale of an apartment and allowed 52 weeks to exit the Club?**

**Response:** As a starting point, the Committee do not agree with the premise of this question as we believe the apartments at Alto represent extremely good value for the maintenance fees.

The dispute with CondoAlto was a number of years ago now (in 2015) and every effort was made at the time to replace the lost amenities with alternatives whilst the dispute was in progress. Services were restored part way through the year and all members benefitted from a significant reduction in maintenance fees in 2016 which was funded by the cost savings realised during the dispute. The long term result of the dispute was that CondoAlto were replaced by FOAS, with whom Clubshare has a far stronger working relationship and, moreover, Clubshare's share of the costs of running the site at Alto was reduced to a far more sustainable level. This has allowed the Committee to undertake a number of significant improvements in the apartments over the last few years.

On the issue of COVID-19, the Committee believe that a 1 in 100 year event was completely outside of their control or contingency plans.

On the broader issue of providing an exit mechanism for members who no longer wish to own at Alto, the Committee's thinking in this respect has developed

significantly since the Fractional Exit Plan (“FEP”) was introduced back in 2011. Back then, there was no active resales programme for members’ weeks. One of the benefits of having Monica Rosa as our Resort Manager has been the great progress she has made in terms of the sales of both members’ and Club owned weeks. The Committee strongly believe that an active resales programme is the best method of allowing existing members to exit their ownership whilst at the same introducing new members who will go on to become the future of the Club.

In terms of the specific features of the FEP, the Committee have no plans to introduce another such plan in the future on the basis that:

- i) To free up one apartment for sale requires that there is a Club owned week in every 52 weeks of the year. For considerable parts of the year (May through to October) there are no Club owned weeks and therefore we would not be able to offer an equivalent alternative week for any members in the apartment to be sold who did not wish to exit their ownership;
- ii) Reducing the number of apartments (and therefore the Club’s income) is not a successful strategy for the medium or long term. The Club’s costs would remain largely fixed and, therefore, the Club’s ability to make a surplus, which is what the Club relies on to invest in the maintenance and improvement of the apartments, would be compromised.

**Question: Is there any intention to install a children’s play area in the Alvor complex? If so, when and where will it be located? Are there any plans to replace the current cardio-vascular gym equipment, in particular with a cross trainer which might be beneficial for elderly guests with joint issues?**

**Response:** Both questions touch on issues for which the Committee is not directly responsible. FOAS, as the owner of the community assets and provider of community services, is the party which would be responsible for such matters.

On the issue of a children’s play area, such an area formerly existed to the rear of our Block C. We understand that this was removed by FOAS because the equipment was no longer safe and suitable for use. There is a demand for such a facility at Alto and discussions have taken place with FOAS on this topic.

In terms of the gymnasium, we understand that FOAS had plans to refurbish the gymnasium, including adding some new equipment, during 2020 but these were understandably postponed due to COVID-19. We are led to believe that FOAS will be looking to upgrade the gymnasium over the course of the next winter.

The Chairman of Clubshare periodically meets with FOAS to review matters of common concern on the Alto site. We will discuss both issues that you have raised with them at our next meeting.