



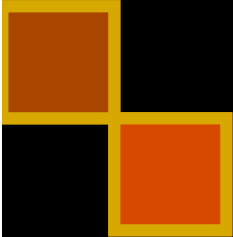






Shelter Bay Community, Inc.  
Town Meeting



April 13, 2008

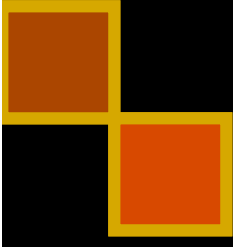



# Agenda

- 
-  Welcome and Introductions
  -  Purpose of Town Meeting
  -  How We Will Proceed
  -  Presentation
  -  Comments, Questions & Answers
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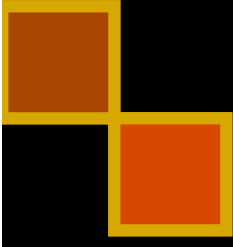



# Purpose of Town Meeting

- 
- Community – Company Overview
  - Update on Rent Adjustment Issues
  - Special Election Ballot Issues
  - Understanding Default
  - Discuss Assessment Roll for Rent
- 



# How We Will Proceed

- 
- Present information about Assessments related to Master Lease rent
  - Open Q&A session for attendees
  - Use Microphone so all can hear your important comments/questions
  - State Name/Lot #
  - Reporters may be present – be polite
- 




# Rent Adjustment Update

We've Been Busy!

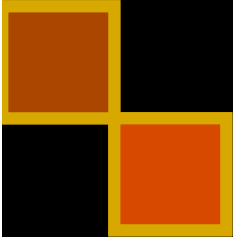



Since the Jan 23<sup>rd</sup> arbitration decision, the Board has taken the following steps:

- 
- Reviewed Judge's decision
  - Decided to accept decision
    - Believe \$19.4 million was fair value
    - More legal fees for reconsideration
    - Judge could actually increase value
  - Advised BIA of acceptance - BIA later issued their approval of arbitration decision

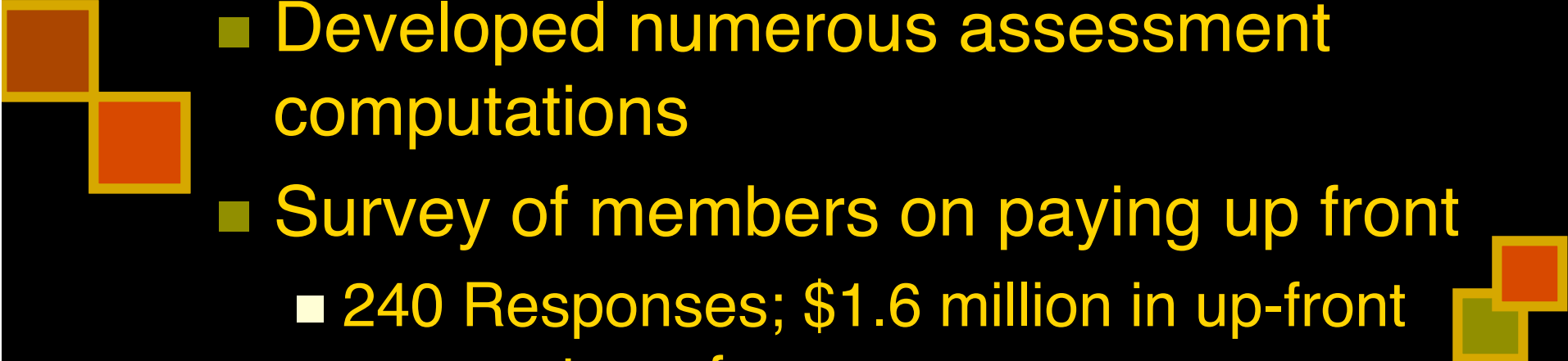


# Rent Adjustment Update

- 
- Declassified lease negotiations correspondence – published chronology
  - Met with Tribe to request payment terms
  - Held 4 Town Meetings on Arbitration Decision
- 

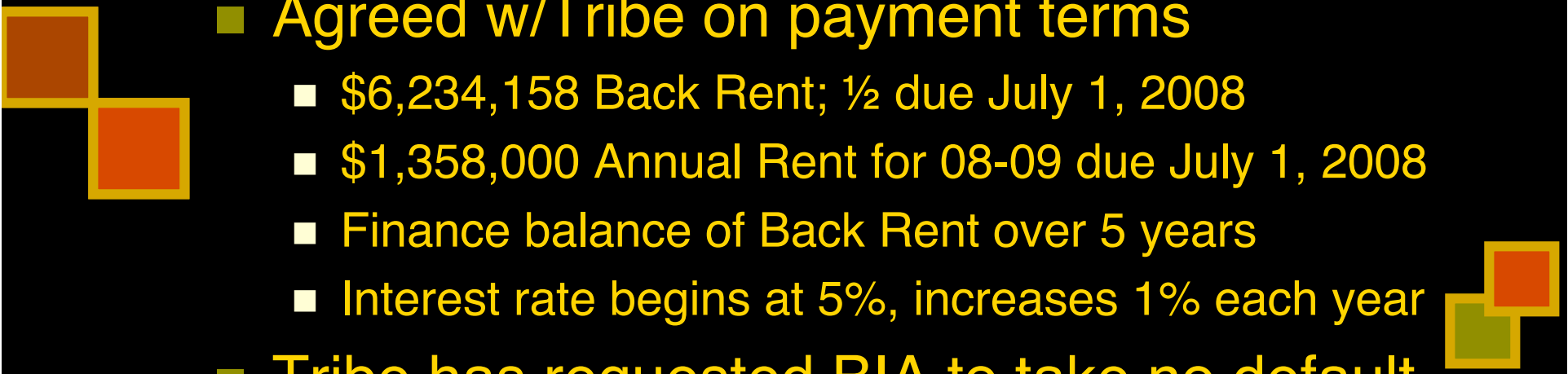


# Rent Adjustment Update

- Developed numerous assessment computations
  - Survey of members on paying up front
    - 240 Responses; \$1.6 million in up-front payments so far
  - Received & considered
    - 200+ written member comments
    - Hundreds of verbal inquiries/comments
- 




# Rent Adjustment Update

- Agreed w/Tribe on payment terms
    - \$6,234,158 Back Rent; ½ due July 1, 2008
    - \$1,358,000 Annual Rent for 08-09 due July 1, 2008
    - Finance balance of Back Rent over 5 years
    - Interest rate begins at 5%, increases 1% each year
  - Tribe has requested BIA to take no default action, pending outcome of S.Bay Election
  - Lease amendment for payment terms to be prepared by BIA
- 

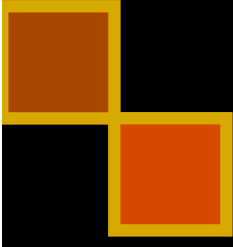



# Rent Adjustment Update

- Numerous open Board meetings on assessment formulas
    - Reviewed over a dozen methods
    - Many methods submitted by members
  - Met with Skagit Co. Assessor
  - Decided on method of assessment
  - Obtained Legal Opinion on Consequences of Default
- 



# Rent Adjustment Update

- 
- Finance Committee working on back-up funding plan
  - Finance Committee seeking long-term financing so Tribe can be paid off early
  - Special Election set for May 3<sup>rd</sup>
  - Town Meetings underway
- 

Whew!!

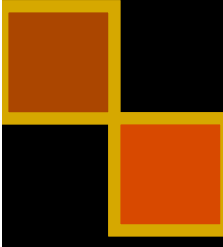



Relationship Between  
Shelter Bay Community, Inc  
&  
Shelter Bay Company



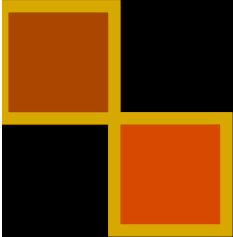



# Shelter Bay Community, Inc.

- 
- Established July 1969, Non-profit corp.
  - Homeowners Association
  - Carries out daily operations of community
    - Maintain common areas
    - Operate and maintain on-site utilities
    - Members assessed for Operating/Capital expense
- 




# Shelter Bay Community, Inc.

- 
- Enforces Protective Covenants
  - Owns RV Storage Lot in fee simple
  - Owns 100% Shelter Bay Company stock, as of November 2004
- 

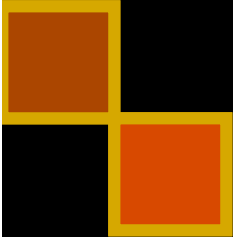



# Shelter Bay Company

- Established June 1968, for-profit corp.
  - Owns Master Lease interest w/Tribe
  - Owns Marina improvements and operation
  - Holds subleases with Shelter Bay community Sub-Lessees (e.g. is the “Sub-Lessor”)
  - Holds subleases with Shelter Bay Community, Inc. for all common areas *except* for marina and north basin waters
- 



# Shelter Bay Company

- 
- Processes Assignments of Sublease
  - Collects annual sublease fees from Sub-Lessees
  - Sublease fees for common areas is \$0.00
  - Collects marina revenues
  - Pays Master Lease rent to Tribe
- 



# Special Election Ballot Issues



Issue No. S-1:

Pay or Not Pay


Issue No. S-2:

FY 07-08 Oper. Budget Amend. - Back Rent

Issue No. S-3:

FY 08-09 Oper. Budget Amend. - Future Rent










## Issue No. S-1: Pay or Not Pay




Understanding Default (Q&A Handout)

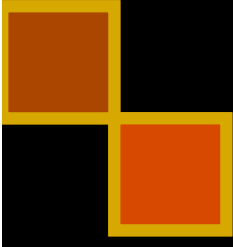

 Who owes Master Rent?

If default:

-  What happens to Company's assets?
  -  What happens to Community's assets?
  -  What happens to Individual Subleases?
  -  What are Community Common Area risks?
- 



## Issue No. S-1: Pay or Not Pay Consequences of Default

- 
- ⌚ Would Protective Covenants be Terminated?
  - ⌨ Would Homeowners Association be Nullified?
  - 🔧 What happens to Community infrastructure and utilities?
  - 🔧 Would potential for lease extension for individual subleases go away?
- 



## Issue No. S-1: Pay or Not Pay Consequences of Default

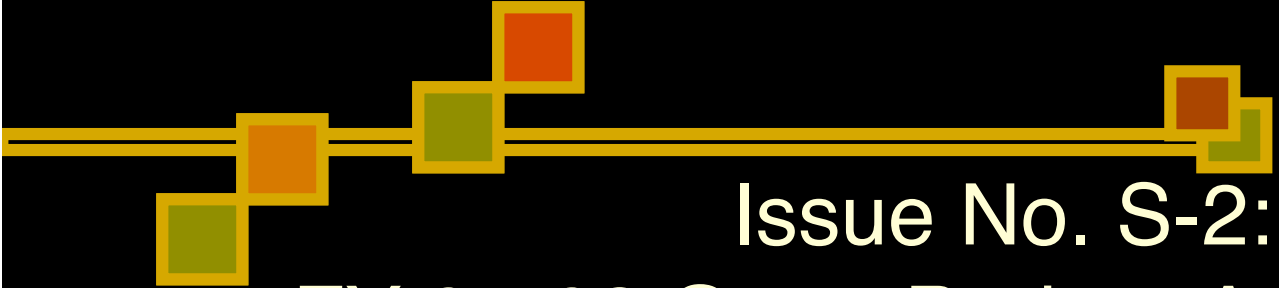


 What does our lawyer recommend?


Our attorney DOES NOT  
RECOMMEND default




This ballot issue requires a simple majority  
vote to pass




Issue No. S-2:  
FY 07-08 Oper. Budget Amendment -  
Back Rent Assessment

- \$6.2 million owed in Back Rent
  - \$3.1 million due by July 1, 2008
  - Computation uses 2008 Assessed Land Values for pro-rata amount per lot
  - Includes \$179 per lot for Bad Debt contingency
  - Discounted if paid by June 20<sup>th</sup>
  - If not paid by June 20<sup>th</sup>, 60-month payment plan includes cost of financing
- 




## Issue No. S-2: FY 07-08 Oper. Budget Amendment - Back Rent Assessment


- Community will open separate bank account for deposit of assessment funds
  - Will transfer to Company in late June 2008 when payment is made to Tribe.
  - Amends FY07-08 Operating Budget:

■ Original Budget	\$ 1,248,500
■ Amendment Amount	\$ 7,471,750
■ Amended Budget	\$ 8,720,250
  - Requires absolute majority vote to reject (50%+1 of eligible votes)
- 

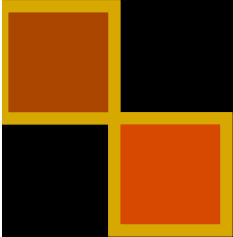


# Annual Master Rent Due for July 1, 2008 – June 30, 2009 Period


- Amount Due: \$1,358,000
  - To be paid by Company, using:
    - \$410,733 annual leasehold fees, billed this May 2008
    - \$947,267 from Company's cash reserves
- 

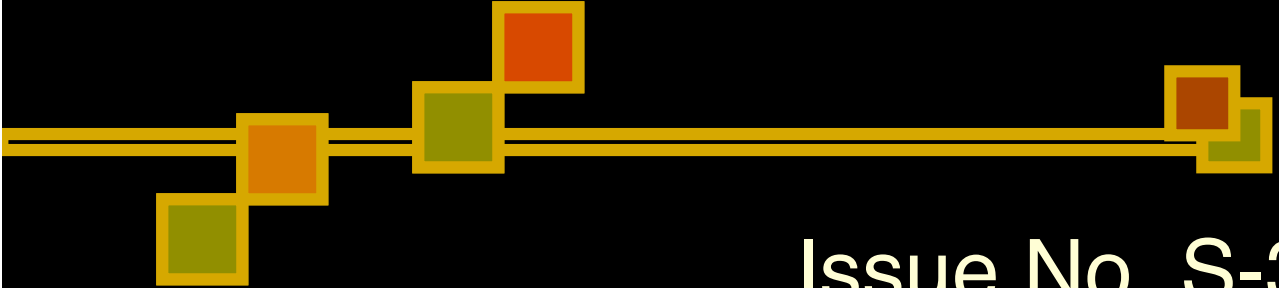


Issue No. S-3:  
FY 08-09 Oper. Budget Amendment –  
Future Rent Assessment




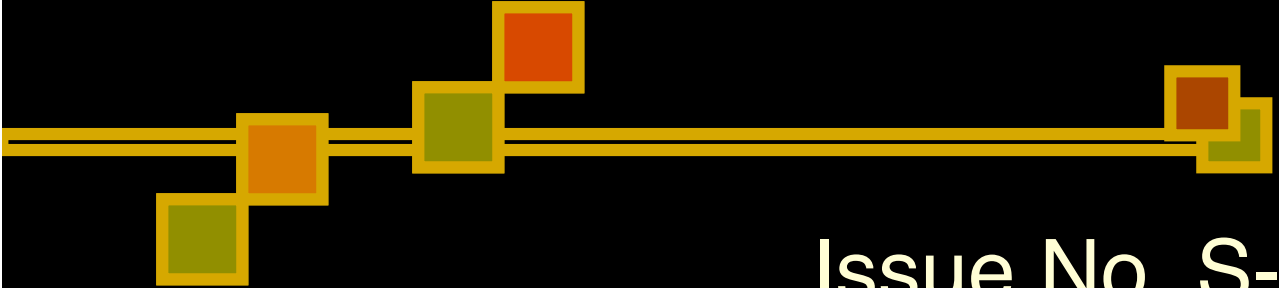
Due on July 1, 2009:	\$1,358,000
Less Marina portion:	135,800
Less Sublease fees collected by Company:	<u>410,733</u>
Shortage to Assess:	\$ 811,467






Issue No. S-3:  
FY 08-09 Oper. Budget Amendment –  
Future Rent Assessment

- Computation uses 2008 Assessed Land Values for pro-rata amount per lot
  - Pay monthly over 12 months, beginning July 2008
  - Will transfer to Company in June 2009 when annual rent payment is made
- 



## Issue No. S-3: FY 08-09 Budget Amendment – Future Rent Assessment

- Amends FY08-09 Operating Budget:
    - Original Budget: \$ 1,250,600
    - Amendment Amount: \$ 811,320
    - Amended Budget: \$ 2,061,920
  - Requires absolute majority vote to reject (50%+1 of eligible votes)
- 



Questions and Comments?