



The Spyglass

VILLAS I President's Report Richard Fleck

Welcome to a new issue of the Spyglass. It is the intention of Villas I to publish a newsletter on a quarterly basis, basically in April, July, October and January. If there is something you would like to see in the newsletter that is not included now, please let us know.

A lot has been happening since the last issue was published. But let's do a quick review. The Board reached a settlement with ESTI/Fairfield/Wyndham in January last year. In addition to the total cash of almost \$19 million, we received title to all of the property, including the restaurants and other buildings. ESTI (Equivest St. Thomas, Inc.) still has its inventory of unsold unit weeks, but they agreed to give up their right to appoint or vote for Directors on all four Boards. Of course, they can vote on all other issues that might come up. To date, Villas I has received a total of \$1,975,987 from the main settlement fund and \$220,383 from the Bond Fund. The Bond money is a return of 'common area expenses' and, as such, is in our Operating Fund as a reduction in expenses. The rest of the money goes to our maintenance Reserve Account and will be used for repairs and renovations. To hold title to the property, Great Vistas LLC was formed and each Association appointed one person to serve on its Board of Directors. This year, our representative is Darwyn Harris and she serves as its President.

We have also reached an agreement to settle with the Kosmos Group. A few details in the agreement are still being resolved at press time. But, once completed, Villas I should receive \$78,750 from this agreement and it will also go to the Reserves. The last remaining defendants in the lawsuit are Cavanaugh and Reighley, the original Developers of the timeshare resort. The attorneys are still working on these two.

There have been problems with the phone system at the Castle for a long time. SPM has received proposals to replace this system with a modern satellite system. This modification will also include wireless Internet service throughout the resort, inside and out. This will be a great improvement. Villas I will use its approximately \$2 million Reserves to pay our share (estimated at about \$600K) of the common area improvements and do many needed repairs to our buildings. Our plans include exterior repairs such as: replacing all gutters and downspouts with larger units that can handle the amount of rain water we get; repairing and repainting the stucco; repairing and painting the ramps at the West Wing; replacing the wood roof on the North wall of the North Wing so that it matches the rest of the roofs; and restoring or replacing the corridor tile. This is not intended to be a comprehensive list, but to give you an idea of what we have to do.

For the individual units, there is a lot of work planned. The interconnecting doors in the one

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HILLTOP VILLAS III President's Report John Enrietto

This will provide an interim report on the state of the Villas III at Bluebeards Castle. It was my privilege to spend almost a month on St. Thomas this spring. My time was divided between Villas III (where I'm the HOA President for the third year), HTV I & II (where I'm on the Board and LLC representative), and the Beach Club (where I'm in my 7th year as HOA President). It's an exciting time to be involved. You may wonder why I'm willing to spend so much time on resorts in St. Thomas. I've been privileged to travel a lot, including most of the islands in the Caribbean. My family and I fell in love with St. Thomas many years ago and decided to invest in the area for our key vacation spot. We don't trade our units; we use them every year, several times. It's not only my duty to protect my investment, but an obligation to all owners that may not have as much time to try and make our resort the best possible. I'm a retired business/engineer/owner with an MBA that can put my talents and experience to work for the benefit of all.

Ken Gardner, our Secretary/Treasurer, will explain our fiscal position, which is very good. When I came on this Board, we were running at a deficit with some real operational problems. With the help of SPM and some solid minds on the Board, this has been turned around into a section of the Castle with the best financial position, clean well kept rooms, with Operating Reserves to lead us to a bright and successful future.

As many of you know, most of our litigation is behind us and some operating dollars have resulted that has allowed us to plan to kick start some major improvements. At the Beach Club, I've successfully worked with a Project Management firm, Kraus Manning, on several projects. Their home is Orlando, Florida but they have offices and a full time staff in St. Thomas that serves the entire Caribbean. They've done work at Yacht Haven, the Ritz Carlton, The Marriot and many other clients in St. Thomas. When I first called Mike Kraus, he was delighted to know that the Bluebeard's Castle would have several renovations and would be happy to bid for the Project Manager's opportunity. We got several other bids, but Kraus Manning was far and away the best. We selected our legal representation and went right to work on a contract. It took a couple of weeks and a few glitches were found and I signed a contract in early March for Kraus Manning to be our Project Manager. Incidentally, he has a similar contract with HTV I & II. His bid for the LLC should be approved at our next Board meeting. Since then Kraus Manning has been working feverishly in reviewing our building needs, getting cost estimates, establishing priorities and recommending contractors. The monies collected won't cover everything we'd like to do but will allow us to start at the top, rework and repair the roofs, and then down through every room on every floor to repair and modernize our entire facility including

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HILLTOP VILLAS I & II President's Report Scott Williams

In December, we sent a letter to all HTV I & II owners describing our progress post election with your new Board of Directors. This will bring you up to date on additional activities since then. As we reported then, a contract with a project management company was being worked on. With the help of our local attorney, a contract was finalized and HTV I & II were first to execute it in early March. Several of us were on island at the time and immediately met with Mike Kraus and his local staff under the leadership of Heidi Nelson. Kraus Manning is based in Orlando, Florida but has a full time operation in St. Thomas that covers the entire Caribbean. They have extensive experience in managing construction projects in both the US and the Caribbean, including Yacht Harbor, Ritz Carlton, Marriott and others.

Phase I of our contract, which they estimate to be about two months, will review our entire facilities of Hilltop I & II, provide repair or rebuild estimates, and propose priorities with timeframes. To date, we have had several follow up meetings and Kraus Manning has presented a framework for the reconstruction schedule. It is thorough, comprehensive, and expensive. We'll be working on doing some cutting. Then Kraus Manning will begin the bidding process. Before we start interior work, we are required to get an asbestos and lead permit. That's been applied for and that will take a month and a half. In the meantime, we can start getting bids and start work on the exterior, such as roofs, gutters, downspouts, drains, external paint and lights etc.

Incidentally, as a matter of interest, Kraus Manning uses a webnet software that allows a conference call plus pictures, drawings, tabulations, etc. on our computer screens. A neat way to get together without a lot of people traveling to a meeting.

To date, we have received about \$6 million dollars in Fairfield settlement funds that are invested in short term FDIC protected CD funds. In addition, over \$1 million dollars were in unprotected bank funds. Those too have been moved to protected CD's. A settlement is pending with Kosmos that will net our Association about \$150K. Remaining is the lawsuit against Cavanaugh and Reighly. No estimate at this time from our attorney's, RT&T, as to the amount or time to settle or try. RT&T has agreed to withdraw as counsel for the six class action claimants.

Based on early estimates, it is apparent that the available funds to HTV I & II will be inadequate to do all the work needed for our two buildings. Keep in mind that the available funds will also be needed for the HTV I & II portion of the work on the common areas by the LLC.

At our last Board meeting on Feb. 17, 2009, John Benham, our local counsel, spent a considerable amount of time reviewing the Kraus Manning contract and his recommended revisions. Contract insurance was defined. All recommendations were approved and John Benham will review all changes

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President's Report
Richard Fleck
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bedroom units will be replaced with hardwood or treated doors to reduce termite problems; the inter-connecting patio doors will be replaced with metal covered doors that will not rot; and all sliding doors to the patios will be replaced. We will have an interior designer plan the colors of all fabric and paint, so that everything is coordinated and not the hodge-podge that currently exists. This will require reupholstering of the sofa beds and either recovering or replacing the other furniture. Plans for the kitchens include new base and upper cabinets, a two burner stove and a full size refrigerator. Bathrooms will also be completely redone. All of the copper pipe will be replaced with CPVC pipe. As televisions are replaced, we are installing high definition flat screen units. We will also be getting prices for hurricane shutters. Using them should cut the insurance cost. Much more is planned, but this should give an idea of where we are going. We are presently talking with an Engineer to oversee this work. Owners can feel free to contact me with any questions or concerns. If there is any way I can help you (other than take your unit), I will do my best to do so. Until next time, I wish each of you health and happiness. Use your weeks at the Castle and enjoy the great views and beauty of the island.



QUICK NOTES

Remember to check the Bluebeard's Castle website: www.bluebeards-castle.com

Also, visit the SPM Resorts, Inc. website to view more Bluebeard's information and pictures: www.spmresorts.com

**TREASURER'S REPORT
Kenneth Gardner
Villas III**

My name is Ken Gardner, the current Treasurer for the Villas III Home Owners Association. I feel privileged to prepare this newsletter's Treasurer's Report, because I have more good news to share with you than any of my predecessors ever had. In this Report, I want to inform you about our cash position, our financial performance for 2008 and the budget for 2009, as well as the status of the independent audit of our financial records.

First, let me discuss our cash position. After paying all legal fees, Villas III received from the January 2008 out of court settlement with ESTI (Fairfield), a total of four million, six hundred seventy thousand dollars between October 2008 and January 2009. These funds have been invested in short term securities providing for full federal government insurance along with modest interest income. Maturity of securities is being matched, as best we can forecast, to meet our cash needs to pay contractors for repairing and rebuilding Villas III, along with our share for repairing and rebuilding the Common Areas. We also have in excess of five hundred thousand dollars in our 'reserve' accounts, used for periodic repairs to the Villas III buildings and periodic replacements of

**VILLAS III
President's Report
John Enrietto
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new plumbing, A/C's, doors, cabinets, refrigerators and stoves, in addition to all exterior surfaces and equipment. I visualize when completed, in a couple of years, Bluebeards Castle Hilltop Villas III will be one of the best resort facilities on the island of St. Thomas. I hope you will come visit us and enjoy a first class stay at a first class resort.



RESERVATIONS

Reservations must be in writing, whether to use your unit/week at the resort, place your unit/week in the rental pool, or request your unit/week be placed in an exchange.

These requests may be **mailed** directly to the resort at the following address.

**ATTN: Reservations
Bluebeard's Castle
PO Box 7158
St. Thomas, USVI 00801**



Requests can also be **faxed** to the resort Reservation Department at 340-776-4653.

Requests can be **e-mailed** to Heather Bonham, Assistant General Manager at: hbonham@spmresorts.com.

Many owners wish to extend their vacation and rent additional nights. Please contact the resort in advance for discounted owner rental rates.

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Scott Williams
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with Mike Kraus (they were eventually all approved).

Energy surcharges were discussed. Mr. Eberman advised that everyone coming to the resort as renters or exchangers were being charged an energy surcharge even if they were using an owner's unit that had fees current. It was recommended that this issue be added to the LLC agenda for a uniform policy.

In addition to our quarterly report to all owners, SPM will be posting monthly reports that they send to the Board. Their web access is: spmresorts.com and find the link to Hilltop Villas I & II.

We appreciate your interest and support. If you have any questions, feel free to contact any of us.



**BLUEBEARD'S CASTLE
ANNUAL MEETINGS**

**FOR
Villas I, Hilltop Villas I & II,
Villas III, and Pirates' Pension**

**WILL BE HELD ON
SATURDAY, OCTOBER 10, 2009**

**EMBASSY SUITES
9000 Bartram Avenue
Philadelphia, PA 19153**



furniture and fixtures within the units. The largest piece of that cash represents the cash deductible on our property insurance policy, which includes hurricane coverage. The remaining cash is used to cover day to day expenses in our 2009 operating budget.

Second, we finished last year (2008) with total revenues of two million, two hundred twenty four thousand dollars (not including any litigation settlement revenue). Over all, expenses amounted to two million, one hundred seventeen thousand dollars, leaving an unexpended cash balance of one hundred seven thousand dollars which has been carried over and will be added to our "reserve" funds. Our collection rate for 2008 maintenance fees was 84.8%, compared with a budgeted rate of 87%. At December 31, past due maintenance for 2008 and prior years amounted to two million, four hundred twenty four thousand dollars.

In addition to pursuing our normal collection policies and practices, we are hopeful that improvements both at the Castle, and in the economy, will serve to reduce this number in the future. For the year 2009, we have budgeted revenues of two million, one hundred sixty two thousand dollars (not including any litigation settlement revenue), with over all expenses budgeted at two million, one hundred sixty five thousand dollars, and a resultant deficit of three thousand dollars. The collection rate for maintenance fees has been budgeted at 85%, and will be

monitored very closely. Should the going rate decrease, appropriate adjustments will be made to expenses to prevent a serious budget shortfall. In this regard, you should be aware that financial statements are presented to and reviewed by the Board of Directors monthly. Maintenance fees for 2009 remained the same as 2008. At our Board of Directors meeting in July, we will be reviewing budget and maintenance fee proposals for year 2010.

Third, I want to inform you about the status of independent audits being performed on the Association's financial records. An Auditor has been engaged to provide complete audits for the years 2006 and 2007, and a balance sheet audit only for 2005. The field work has been completed, and the Auditor has submitted "draft" reports to SPM. Upon resolution of the Auditor's questions, the reports will be finalized and issued. Copies will be available at the Castle for anyone wanting to see them. As soon as those three years are completed, it is our intention to engage the Auditor to perform a similar review and report on the 2008 financial records.

In conclusion, let me express my appreciation to the Villas III owners for electing me to the Board, and giving me the privilege of serving as your Treasurer.



Great Vistas, LLC President's Report Darwyn Harris April 2009

Although a long time in the making, the Great Vistas, LLC has been established and is up and running. All Associations have jointly approved and signed an Operating Agreement, and we had our first official meeting on November 19, 2008. Upon mutual agreement, the LLC has established an official meeting schedule for the year. These official prescheduled meetings are held by teleconference on the third Wednesday of the month. However, due to the large amount of work needed for this newly formed organization, we have also been engaged in numerous supportive efforts when necessary such as additional teleconferences and/or emails.

As outlined in our Operating Agreement, the primary purpose of the LLC is to "own, develop, manage, operate, maintain, lease and otherwise control the real property and those certain facilities located at the real property ... known as Bluebeard's Castle Hotel and Timeshare Resort..." In addition, the LLC has created an Operating Budget, obtained a Federal Employer Identification Number, insurance, an accountant, bank accounts, legal counsel, and an agreement with SPM to provide property management support for the LLC. At present, SPM's cost for providing this service is incorporated in each Association's individual budget. This will change this year once the budget is approved as it is a line item in the new Operating Budget. It will no longer be paid as 'Common Area Expense' in each Association's individual budget.

To provide a little insight into how the LLC operates, it is governed by the rules set forth in its Great Vistas LLC Operating Agreement. It has a Board of Managing Directors which is comprised of one individual from each of the four Associations at Bluebeards; the officers of which serve on a rotating basis. For the 2008-2009 year, your officers on Great Vistas Board of Directors are as follows:

Pres. Darwyn Harris Villas I (15.83%)
VP John Enrietto Hilltop Villas (40.47%)
Treas. Mark Farrell Villas III (24.35%)
Sec. Richard Cornell Pirates' Pension (19.35%)

Mr. Cornell assumed the responsibilities of Secretary in March due to the resignation of David Stamm as Pirates' Pension's representative.

Operating funds for Great Vistas are obtained through income generated in two primary ways: first through the income generated by the common areas such as via commercial leases and/or activities and second through the assessments to the Associations according to their percent ownership. The percent contribution from each Association was determined in the court.

It is hoped that sometime in the future, Operating Funds for the common areas will be self generating and even provide supportive revenue for the Associations.

Voting on most issues within the LLC is accomplished through each Association via its representative and is proportional to the aforementioned percentage. There is an exception, however, for certain major issues, in which case each Association has an equal vote. In these circumstances, three out of four votes are needed for approval. These issues are: the purchase, sale, encumbrance or transfer of any interest in realty owned by the LLC; any new construction or incurring restoration costs in excess of insurance reimbursements obtained by the LLC on or to the hotel property which is estimated to cost in excess of \$100,000 (although this provision shall not apply to budgeted repairs or renovations of existing improvements); and an increase in the annual budget of the LLC which is more than twenty percent (20%) over the previous

year's budget.

As anticipated with any start up organization, this has been an extremely busy year. Despite growing pains, however, much has been accomplished: a newly formed organization has been put together and is functioning, improvements to the Castle have been made and plans have been put into motion that will lead to the Castle's continued revitalization.

Towards these ends, as President, I envisioned three major objectives for the LLC with respect to the common areas for this primary year. **First**, was to address safety issues. **Second**, was to make as many improvements that could be accomplished under our operational budget for the enjoyment of owners, as well as, for potential revenue generation. And **third**, was to put in place a plan for capital expenditures, and hire a Project Manager to oversee a plan for Castle revitalization and major construction areas that were out of the scope of our contract with SPM.



With this in mind, your LLC Board has:

- replaced generator switches that were posing a major safety issue for workers,
- given the lobby a facelift with new upholstery, painting and furnishings,
- renovated the bathrooms in the pool areas
- opened the gym,
- installed new A/C in the General Manager's weekly meeting room,
- reviewed the Banana Tree roof repair for sufficiency and completeness,
- removed the debris and decomposing accounting office above the lobby,
- added the Art Studio as a lease, reviewed the Castle Traders lease and will be soliciting vendors for this lease in the event that Mrs. Murphy is unable to maintain this lease.
- been analyzing the sales building as possible rental income

We have also looked into, and continue to investigate, the possibility of using solar power options at the Castle as well as wireless Internet service. In addition, the LLC has identified and are in the final stages of negotiating a contract with a Project Manager to outline and oversee major capital improvements, as well as, aid the LLC in establishing a Capital Project budget and strategy for the restoration of all the common areas.

Last but not least, the LLC has been working on the award of a Pool Bar lease. This has probably been the most difficult of all the tasks we have undertaken so far this year, not because of the sheer difficulty of awarding a lease but primarily due to the many side issues we, as a Board, have had to deal with combined with the requirement that 3 of the 4 Associations must approve the lease for the award. At this point, all I would like to say is that we have all learned some valuable lessons and the LLC anticipates that this lease award will be resolved shortly. We have had 3 viable candidates via word of mouth for the lease, each of which have either withdrawn due to the length of time to get a majority vote or could not meet our minimum standards. This time around, SPM will be sending a Request for Proposal for the Pool Bar Lease to run in Virgin Island papers and an appropriate restaurant trade magazine in April which will run for about a month. With proposals in, a review and award should be forthcoming within the month following. **If anyone knows of a business that might be interested in the Pool Bar lease, please contact SPM for the RFP.**

NEW PROCEDURE FOR AMENITIES

- Pool towels are now placed in each unit. If you wish to trade them in, call house-keeping at extension 4516. 
- Our Gym and Tennis Courts are now open. You can sign a key in and out at the Front Desk. The Gym is open from 7:00 a.m. to 10:00 p.m. 

You MUST be at least 18 years old to sign any amenity items out.

A waiver MUST be signed before any of the amenities are used.

YOUR BOARD MEMBERS ARE AVAILABLE TO ANSWER QUESTIONS OR CONCERNS:

VILLAS I BOARD OF DIRECTORS

PRESIDENT Richard Fleck
fleckcpt@hotmail.com

VICE PRESIDENT Darwyn Harris
harrisandus@yahoo.com

DIRECTOR at LARGE Ruth Mattoon
ruthamatoon@aol.com

HILLTOP VILLAS III BOARD OF DIRECTORS

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VICE PRESIDENT Mark Farrell
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Professionally managed by:



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WELCOME

MARGARET JOHNSON, GENERAL MANAGER

Margaret Johnson is a true southerner from the low country of South Carolina. Margaret earned her Business Degree from the University of South Carolina and then obtained her SC Real Estate license in 1983, beginning her career in residential sales.

Margaret ventured into Property Management, developing her career and advanced into positions which provided a mixed portfolio of Residential, HUD (Housing and Urban Development), FMHA (Farmers Home Administration), Elderly, Conventional and Timeshare Properties as a Regional Property Manager for 37 Georgia, North and South Carolina east coast properties. While working in the timeshare industry since 1999, she relocated to Hilton Head Island, SC as Resort Director.

Margaret has been certified in CAMS (Community Association Management), Tax Credit and Fair Housing Compliance and a member of the NAHP (National Association of Housing Professionals). She has been a member and actively involved with the Hilton Head Chamber of Commerce and held a Vice President position for Wyndemere Homeowners' Association in 2005. Margaret has been an active member with the Hotel and Tourism Association in South Carolina, Florida and now in St. Thomas.

As a team member and General Manager with SPM Resorts, Inc., Margaret's goals are to provide genuinely warm southern hospitality to owners and guests for a positive experience and to provide professional leadership to staff members to build a confident and enthusiastic team.

WEEKLY OWNER MEETINGS WITH THE GENERAL MANAGER

**Tuesday Morning
10:00 a.m.**

Check-In Facility



**Join us to learn more about what is
happening at your resort.**

CHECK OUT TIME

10:00 a.m.

**CHECK IN TIME
4:00 p.m.**



Please abide by this schedule so that the housekeeping and maintenance staff have the necessary time to get your unit ready for you or the next guest that will be arriving.

RESALE PROGRAM

We have received some inquiries from owners wishing to sell their units. Unfortunately, your resort does not currently have a resale program. While it is in the plans for the future, we cannot help much at this time. Some of our owners have been successful using the following methods:

- Bluebeard's Castle Board member Dick Cornell's web site: <http://www.bluebeards.net>
- Timeshare Today: <http://www.tstoday.com>
- Online Auctions such as Bidshare, Redweek, or, of course, EBay

We wish you luck in moving your week.

