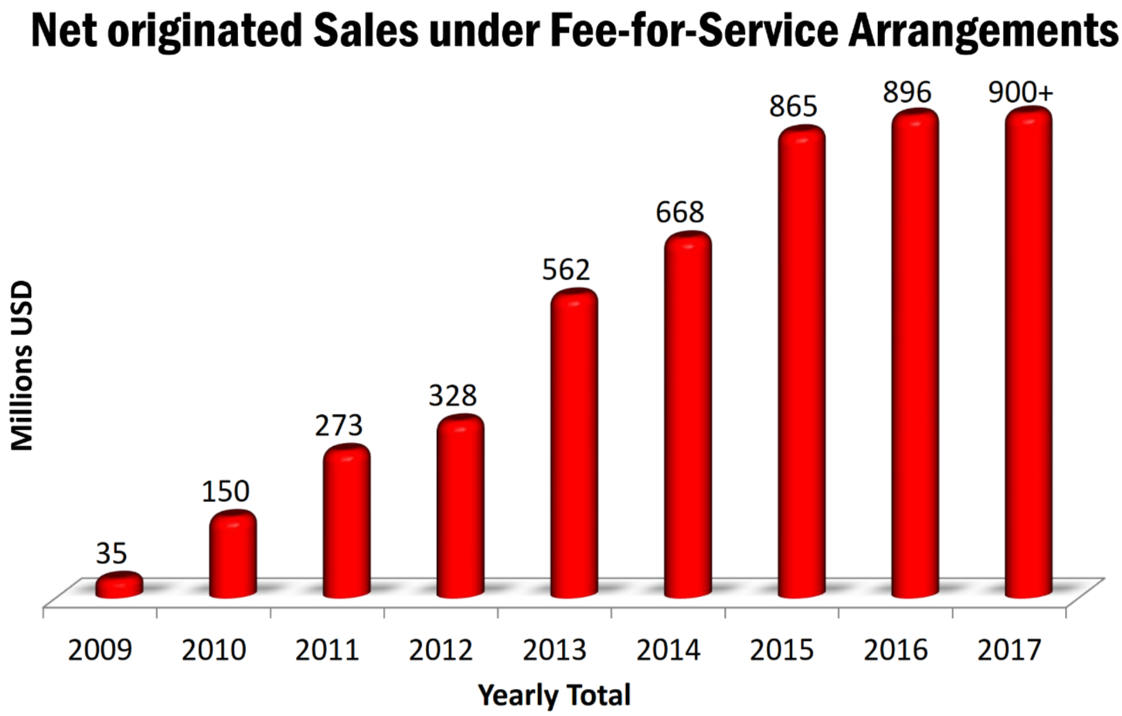
## THE FEE-for-SERVICES MODEL

In terms of mirroring developments within mainstream hospitality where major Global Brand preferences are largely to follow an "asset-light" strategy, a similar approach has gained traction within the US market over the last decade which is usually referred to as the "Fee-for-Services Model".

Given that the costs associated with setting up a new resort, whether it be 50 units of accommodation or 500 units, are likely to be very significant these days when taking into account the industry's perennial HR challenges, the sourcing and implementing of industry-specific IT systems, the assembling of marketing and sales capabilities and supporting administration plus member and consumer loan book servicing, then it has often been the case that developers of high quality, independent resorts in popular or sought-after vacation destinations have baulked at entering a complex industry where they simply lack the essential skills and find it hard to source experienced professionals who are able to assist them.

The Fee-for-Services model fits in with the capital-light strategies of some of the industry's leading Operators, such as Hilton Grand Vacations Club and Wyndham Vacation Resorts, whereby those Companies can provide their expertise across a range of resort marketing, sales and operational activities, for a fee.

This model has now gained significant traction within the US market, as the chart below demonstrates and it is a model which eminently suitable for use within new markets.




***Source: AIF Financial Performance Surveys 2009 to 2017 inclusive***

Fee for Service arrangements offer a number of specific advantages for each of the parties. For the Developer or Resort Owner wanting to enter the business, the negotiation of suitable terms in respect of marketing and sales fees would typically be set as a percentage of gross annual sales revenues, sometimes with the inclusion of a minimum annual sales target for the project, thereby providing a level of certainty for the Developer with in terms of its budgeting and revenue projections.

The marketing and sales activities may also generate incremental revenues for the Developer through the use of some of the resort 's accommodations for short-stay site inspection visits, as well as the use of F.& B. vouchers purchased by the Marketers which are then redeemable within the hotel's dining facilities. Spa vouchers and their redemption with the Developer can similarly become an additional revenue source.

To have a proven, experienced and highly professional marketing and sales resource take on these activities pursuant to a Fee-for-Services Arrangement helps allay concerns and anxieties for both the Developer and any related Bank Lender to the project, regarding the project's ability to succeed. Timeshare and any other forms of shared ownership projects require the ability to market and sell their product cost-effectively and within realistic timeframes if they are to be successful.

For the Fee for Service Provider, there are also a number of commercial benefits. It facilitates expansion into new markets where working with an established and highly reputable Developer who has already constructed all or at least, a large part of a mixed-use Resort significantly reduces the development risk. Assuming that the resort in question meets any applicable brand standards and subject to completion of the requisite due diligence, the Fee-for-Service Provider can then look at how best to leverage its marketing and sales skills so as to generate incremental revenues from this "capital-light" approach. This approach enables the Provider to utilize its existing distribution channels and its HR assets more efficiently, as well as facilitating expansion into new locations or markets without significant investment in real estate.

## The Fee-for-Services Business Model – the documents usually required?

The starting point in any negotiations will usually be the drafting up of an Initial LOI and Terms Sheets, which is largely self-explanatory and will reflect what has already been discussed or proposed between the Parties.

**The Master Agreement:** this document identifies all the parties or stakeholders, recites what they have agreed between them and defines their respective rights and obligations.

**An Affiliation Agreement:** – might be appropriate to bring an existing Resort type project or some suitable Inventory, into an existing multi-site Vacation Club. This document would incorporate basic recitals to reflect the proposed Affiliation to the established multi-site Vacation Club and the basic obligations of the respective parties. What needs to be clarified is the extent to which a Resort manager entity needs to be a party to this Agreement. If the Developer who has built the resort has management and operational capabilities already in place, then it is necessary to ensure that such management operations and service levels are consistent with the Fee-for-Service Provider's applicable service standards. If the Developer also needs management and resort operational expertise and capabilities, then this will be a matter for discussion between the parties as to whether the Service Provider might bring its own selected "white label" management capability to the subject Resort to take on the management obligations. If so, such appointment will need to be reflected within a Resort Management Agreement.

**A Technical Services Agreement** may be needed in circumstances where a Developer has a site under development or may be looking to add a further phase for specific inclusion with a Vacation Club, which will require some Technical Services expertise, in much the same way that Technical Services are provided by Operators to Developers in new hotel projects. There may also be a requirement for a Property Improvement Plan in the event that an existing hotel which has been operational for some time, falls short of what the Service Provider's desired or prescribed quality standards

**An Inventory Purchase Agreement: -** would out the terms on which the Developer will be paid for his inventory including the applicable conditions and timelines and this will likely be linked to an Escrow Agreement which stipulates the precise conditions upon which monies would be released to the Developer from Vacation Club Membership Sales.

**A Marketing and Sales Agreement** would set out the precise terms on which the marketing and sales of the Developer's inventory will be undertaken and the basis on which the Fee-for-Service Provider would be compensated.

**An Amenity Access Agreement** may need to be put in place in to ensure that the Developer has a legally enforceable obligation to provide unrestricted access to all those specific onsite amenities which have agreed to be made available to Vacation Club buyers for the duration of the project's participation within the Club.

In circumstances where the Fee-for-Service Provider is approached to take on board a project, including the creation of the Business and Financial Plans, management the entire set up and implementation, with the provision of onsite marketing and sales capabilities, the design of an onsite sales centre, the selection and implementation of IT systems and support plus recruitment and sales training for sales personnel, then additional agreements will likely be needed so as to adequately cover all of these specific functions and activities.