

The Resort Release

The official newsletter of



Volume 1 No. 34

October 2008

"Where good times are shared"

President's Report

In recent Board meetings, we have spent a great deal of time (in conjunction with the Finance Committee) determining the most fiscally responsible course of action for our resort. Obviously, in times of financial "stress," which many of our owners are feeling, choices must be made by all of us. To "put on the table" a point of major concern, will our long supportive owners be faced with a decision to pay for fuel, gas, heat, food or prescriptions OR pay maintenance fees for their intervals at Cold Spring?

As part of the Board's Strategic Planning Session last year, we have already started to redefine our "Stakeholders" at Cold Spring. The vast majority of them are our owners who continue to use their resort, especially those owners vacationing closer to home and doing less exchanging, but at the same time, Exchangers and Renters provide enough "income" to the resort to offset what would have been necessary increases in maintenance (operating) fees.

Rentals provide income not only to all owners but to the resort. Exchangers are the source of most of our resales from the inventory of unsold intervals and provide not only a wider base over which to spread the operating expenses, but usually a "net income" (sales price less cost to acquire, market, sell and close on units). Therefore, it is important for us to maintain our status of Silver Crown to both attract Exchangers and to illustrate the value of owning at Cold Spring Resort.

We have spent hundreds of thousands of dollars on preventive maintenance in the last 20 years both to maintain the structural integrity of our buildings and to avoid more costly "fixing" later. We must not be "penny wise and pound foolish," but must also determine what is NECESSARY rather than what is DESIRABLE. This is often a difficult line to walk. If we had either unlimited resources or no concern for the financial well-being of all of us owners, it would be easy to simply increase the Maintenance Fees every year. But you know us better than that.

Often, what appears to be an almost insignificant add-on, such as increasing the pool hours as was requested at the last Annual Meeting, can add \$7,000 to payroll costs. And, after we calculate the increase in FICA and other benefits, the total "cost" comes closer to \$9,500. With a budget of well over \$1,500,000, one might ask, "What's the big deal?" To put it in perspective, that is \$3.00 per interval which, when taken together with energy, taxes, the cost to remove 135 inches of snow from roofs this last winter, etc., it suddenly mushrooms. As Everett Dirksen once said when reviewing the U.S. budget, "A billion here and a billion there and pretty soon you are talking real money."

The increase in Maintenance (Operating) Fees for Fiscal 2008-2009 is relatively minor but results from a concerted effort to fund only what is truly necessary in our budget. We will continue to choose the most cost-effective way to run our resort and to fund those items which bring the greatest reward to us all. Accordingly, if you have an idea for improving the resort and it is not implemented, it may be that, for the present at

least, the benefit would be too costly. Please continue to send in your suggestions but keep in mind the impact on our budget.

Treasurer's Report

by Nelson Goldin, Treasurer

The summer of 2008 has just about come to an end as I write this report for the Newsletter in late August, and many of the school kids are going back to the classrooms this week. Soon, the white stuff will be coming down and the resort will be shifting from golfers to skiers and winter sports buffs. In my travels around my home town of Framingham, Mass., today, I noticed gasoline is selling for \$3.59 a gallon at my local gas station and the cost of heating oil is listed at \$3.80 a gallon and up.

The upward trend on oil futures speculation in the stock market is having a dramatic effect on the price of many of our consumer goods and the expected higher cost of heating our homes this coming winter. The ripple effect is well-established and will probably continue into next year. It is expected that the cost of oil and gas will probably rise dramatically as the winter approaches.

Just like you, Cold Spring Resort has not been able to escape the rising costs of these necessary commodities, but your Board of Directors has done the best it can to conserve energy and minimize the increasing cost to you. We will continue our efforts to find alternative sources of energy such as the new low-temperature heat pumps that have recently come on the market and which we are looking at closely.

As a continued reaction to the already increased costs of gasoline, fuel oil and electricity, and because it is very important that the resort not face a cash crunch with winter approaching, proactive action by the Board is needed and we have acted to keep ourselves fiscally healthy and vibrant.

We recognize the hardship that a lot of our owners face and we would like to keep them in our CSPTA family and keep the resort affordable. With that in mind, your Board, on my recommendation as Association Treasurer, has voted a \$5. per billing increase in operating fees to cover these ever-increasing energy costs. That amounts to a total \$10 increase over the two billings covering the entire year. Revenue not expended this fiscal year, if any, will be used as an offset in next year's budget.

As tough a year as 2008 was on our national economy, it was another successful year for the resort which, once again, operated within its budget for the fiscal year. It took a lot of oversight from your Board and your General Manager, Corinne Peltier, who is always looking out for the resort's best interest. We want to publically thank her and her tremendous staff for their commitment and their loyalty to Cold Spring Resort.

The Board also wants to thank all of you loyal fellow owners. Without your fiscal and moral support, Cold Spring Resort would not be here today in the great shape it's in for all of us to enjoy. If we continue to work together in the future as we have in the past, we will all share many more good times in the years to come.

Annual Meeting 2008 and an update from last year's meeting

The CSPTA Annual Meeting will convene at 11 a.m. on Saturday, November 8, in the meeting room at our Administration-Recreation building. As usual, all Association members in good standing have an opportunity to speak up about what they believe is best for our Resort at this 11th annual meeting to be held on site.

It is always interesting to see local democracy in action where everyone gets their say and you do make a difference. The Board of Directors appreciates everyone's interest in keeping our Resort one of the best in the area.

This year's meeting agenda will be highlighted by the election of two Directors to the Board, for which incumbent Directors Olga Packard (Vice President) and Nelson Goldin (Association Treasurer and Annual Meeting Moderator) are running for re-election (see related story elsewhere in Newsletter).

As we know from reading the daily newspaper and seeing the television news channel reports, the economy continues to slide and housing, energy and food costs are taking their toll on everyone's pocketbook. President Barry Thomas addressed this very issue in his last newsletter report and will take another look at it in this issue on how the economy affects us all as "second home owners" at Cold Spring Resort.

Taking our resort to a higher level of excellence and performance is affected by how well we can forecast, provide for and effectively spend our budgeted resources which hinge on the operating (maintenance) fee structure and the continuing support of all owners. The Board has even begun to consider contingency plans for cutting budgetary items, if needed, just as you have been forced to do with your own home budgets.

You'll recall that a motion was made at last year's meeting to replace toilets in residential units with handicap use toilets as they needed replacement in the future, and, after extensive discussion, the motion was tabled with the understanding that the Board of Directors would further investigate the matter and take action if the need is deemed pressing. The Board has discussed this matter and the entire topic of handicapped accessibility for guests at the Resort at several board meetings and has referred it to Ed Ford, our attorney, for his expert legal opinion on what we should be doing in this area. It is still under study and review at this time.

Another motion calling for the recreation facility (primarily the pool area) to stay open until 10 p.m. was amended to have the recreation facility open a bit later during the twelve weeks of summer school vacation and at other peak owner-use times during the year. After continued discussion and the feeling expressed that this change may be burdensome, particularly with the added staffing costs, the amendment and the main motion were rescinded.

A new amendment to extend the recreational facility's hours for only the twelve weeks of summer school vacation to a 10 p.m. closing time, with any further extension of hours during other times of the year to be considered separate and apart depending on how the new summer hours work out for all involved, was approved. The number of persons using the recreational facility, particularly the pool, has been logged during the extended hour periods and those users asked for their opinions on the matter. That report and any other relevant information available to the Board of Directors will be brought back to the membership for their consideration and, if needed, any further action at this year's Annual Meeting.

Finally, the now-traditional motion to award holiday bonuses to CSPTA employees, as has been done in previous years, was carried out by the General Manager for full and part-time employees based on their status and years of service and was given out in time for Christmas.

Election of two Directors to occur at the 2007 Annual Meeting

According to our Bylaws, any Association member in good standing can advise the Nominating Committee at least 90 days prior to the Annual Meeting of his or her intent to run for election to the Board of Directors, as was announced in the April newsletter. The deadline for notification to the Nominating Committee was met this year with the stated intentions of incumbent Directors Olga Packard (Vice President) and Nelson Goldin (Treasurer and Annual Meeting Moderator) to run for re-election to the Board of Directors for another three-year term for both.

Nominations may also be made from the floor at the Annual Meeting provided that 2/3 of those owners in good standing and entitled to vote at the meeting agree to this procedure.

The Nominating Committee will have already met in mid-September, by the time you read this, as required by the Bylaws and as appointed by the President, to perform its duty and recommend two nominees to the membership in a report to be included with the Annual Meeting mailing later this month.

We need qualified owner-members of our Cold Spring family to become more involved in resort operations. For too long we have relied on the same group of loyal volunteers to do the job, and we know that the talent is out there in many fields of expertise to help us run a smooth operation and take it to an even higher level of performance.

Please consider volunteering to serve on any of the current committees including: Property Oversight, Social/Recreation, Finance, Internal Audit, Nominating or Ballot Committees. You CAN make a difference and the Board of Directors can certainly use your help. We know we cannot do this alone and fresh ideas and new talent are needed to ensure our future success as a well-managed, OWNER-OPERATED timeshare resort.

There is no better way to prepare for possible service on the Board of Directors than by joining the present committees and learning the inner workings of the Cold Spring Properties Townhouse Association, which we believe operates one of the best timeshare resorts in the area.

Please contact President Barry Thomas c/o the Resort or call the office at (603) 536-4600 and speak to our General Manager Corinne to tell her you want to do your part to maintain the efficient and pleasant atmosphere we have come to expect at our "home away from home." Let's continue to make our Association and Resort bigger and better than ever by working together to enjoy "good times shared."

General Manager's Report

The following is an article recently featured in Redweek.com and written by David H. McClintock, CPA, for "Timesharing Today." This article covers timeshares and tax deductions. The article does not cover all possible circumstances associated with timeshare-related expenses. Further, the tax results suggested herein may not be applicable in all circumstances (for example, if you take a standard deduction rather than itemizing deductions). So always consult a tax advisor before deciding how to treat an item discussed in this article.

Tax Aspects of Renting Your Timeshare

The third in a series of four articles that address various timeshare-related tax issues.

Here is a hypothetical Question & Answer exchange on the tax issues pertaining to renting out your timeshare week to others:

Q: The developer who sold my timeshare week to me said that if I rent it out, I don't have to report the income for income tax purposes. Is that correct?

A: In almost every situation, you are required to report the income on your tax return. The salesperson was undoubtedly referring to the "vacation home" tax rules, which allow you to exclude the rental income if you rent the "home" out for less than 15 days in the year. However, that rule would treat your timeshare as a vacation home for the year only if you and friends and relatives personally use it for at least 15 days during the year in addition to the days it is rented.

If you don't meet both of the 15-day rules (and some other rules that are less likely to apply to timeshares), the income is taxable, just as other income you receive is. In order to have a chance at meeting the rules, an individual must own a minimum of three weeks at a single resort, with at least 15 days used for personal purposes.

Q: What deductions are allowed as offsets to the rental income?

A: The most frequent deductions would include your annual maintenance fee, advertising, rental commission, depreciation, property taxes (if you pay them separately from the maintenance fees) and interest expense on your timeshare loan. You should list your rental income and related deductions on Schedule E.

Q: How do I calculate depreciation?

A: If this is the first year of ownership, take 3.485% of your cost (the amount you paid for your timeshare) as a depreciation expense. That's based on an IRS table. However, if you have previously used your timeshare for personal purposes (including an exchange or use by friends or family), you must base your depreciation on current value - which means resale value - as of the date you convert to rental use. Again, you would calculate the depreciation at 3.485% of that amount. Assume the cost or value to use for depreciation is \$5,000. The first year's deduction, based on an IRS table, should normally be 3.485% of that amount, or \$174.25.

Q: Suppose my expenses exceed the rental income. Are rental losses permitted as deductions on a tax return?

A: Unfortunately, there is a tax rule that would just about eliminate any chance of your claiming a tax loss for renting your week. A special section of the Income Tax Regulations prohibits treating your loss as a "rental loss" if the average rental period for a particular tenant is seven days or less. Since you would rent your single week for seven days or less, this rule means that your loss is not a rental loss.

Q: So what does that mean to me?

A: Losses from passive activities (where you are not actively managing the business on a daily basis) are generally not deductible. There is an exception that allows deductions of rental losses in certain circumstances. But the rule cited in the preceding paragraph treats your loss as other than a rental loss. Therefore, it is not deductible. Many tax professionals miss this rule.

Q: I'm not sure I believe that my loss is not deductible. Can you tell me where my tax advisor can find this rule?

A: Your tax advisor can review Section 1.469-1T(e)(3)(ii)(A) of the Temporary Income Tax Regulations. This regulation is also referred to in IRS Letter Ruling #9505002, which gives an indication of the IRS position on this issue as it relates to timeshares, as discussed above.

Q: What if I own multiple weeks at a single resort?

A: If you own, say, four weeks at a single resort, IRS would likely look at your ownership as a single property for tax purposes. If you use three of those weeks for personal purposes in a particular year and rent the fourth week, the rental income should be treated as discussed above. Even if you rent multiple weeks, those rules would still be applicable. However, if you regularly rent out multiple weeks every year and the average stay by your renters is longer than seven days in a given year, you might be able to deduct your losses for that year as rental activity losses.

Q: What is required in order for the losses from multiple week rentals to be deductible?

A: In addition to having an average rental period longer than seven days, all of the following must apply:

1. You don't use the property for more than the greater of 14 days or 10% of the rental days during the year.
2. You must "actively participate" in the rental operations. Examples of acceptable activity might include advertising, approving who the renter will be, deciding how much rent to

charge and determining the wording of the rental agreement. But if, for example, you own Marriott weeks and you ask Marriott to rent the weeks for you, you would not be able to pass this test.

3. Your adjusted gross income must be under \$100,000. Otherwise your deduction might be limited.

Q: It sounds as though it will be a rare situation where a timeshare rental loss would be deductible.

A: Yes, it would be very rare.

Q: What do I do if the rental agency gives me a Form 1099 at the end of the year reporting the rental income to the IRS?

A: If you believe the income should be reported, show it on schedule E and claim your legitimate expenses against it. If you don't show the income on your return, it's likely that the IRS will contact you about the discrepancy between the Form 1099 and your tax return. If you believe the income is not taxable, report the income on a schedule attached to your return. You would report the income as "Rental income reported on Form 1099." Then on the next line you might show the same amount as "Income not reportable because the taxpayer rented this vacation property for less than 15 days during the year." The net of the two numbers would be zero.

Q: Where on my tax return would I reference this schedule?

A: There are two possibilities. My favorite, assuming you have no other miscellaneous income, would be to insert a zero on the line for "Other Income" (line 21 on the 2005 Form 1040) with a note indicating "See attached schedule." Others would suggest omitting the schedule and showing the same information on the rental income form (Schedule E). However, I don't believe Schedule E is the proper place to show it if you are taking the position that it is not taxable rental income.

Q: I keep hearing that if I donate the use of my week to a charity, I'll end up with more cash in my pocket than if I rent. Is that true?

A: No. As I discuss in a related tax article, donating the use of your week to charity (versus donating your ownership of the timeshare unit) does not entitle you to a charitable tax deduction. Thus, you'll have more cash in your pocket by renting your week for as much as you can get for the week.

Summary

Rental income from timeshares is probably taxable in most situations. The income should be reported on schedule E and offset by allowable deductions. Losses from renting your timeshares will normally not be allowable as a tax deduction.

This article does not cover all possible circumstances associated with rental of timeshares. Further, the tax results suggested herein may not be applicable in all circumstances. So always consult your tax advisor before deciding how to treat an item discussed in this article.

In almost every situation, you are required to report the [rental] income on your tax return.

...if you regularly rent out multiple weeks every year and the average stay by your renters is longer than seven days in a given year, you might be able to deduct your losses for that year as rental activity losses.

Unfortunately, there is a tax rule that would just about eliminate any chance of your claiming a tax loss for renting your week.

Foreclosure:

We are continuing with our aggressive program of foreclosing on delinquent accounts. Our last foreclosure sale was in November 2007. Keeping current with your operating fees is very important for the Association and for all other owners. We understand that some owners may have financial problems; however, payment arrangements should be made as soon as possible in order to avoid any foreclosure. Please note that any payment arrangements for the current billing will not extend beyond the date of the next billing. If you need assistance with budgeting your operating fees, please call Sharmaine Stewart or Corinne Peltier at 603-536-4600. We will be glad to help you make payment arrangements.

Maintenance Report

The following is a list of some of the maintenance and refurbishing done since the April 2008 newsletter:

1. New dishwasher for R1A - \$249.00
2. Twin box spring and mattress for S1A - \$349.00
3. Grounds spring clean up and landscaping - \$8,410.00
4. Repair to outside of Ropewalk East building (E1H side) - \$3,662.00
5. Repair of various air condition units - \$2,512.00
6. Take down four pine trees at Springhouse - \$4,000.00
7. Get tennis courts ready for summer - \$1,927.50

Spring 2008 Oversight Committee Report

First of all, on behalf of Cold Spring Resort Management, and myself, I would like to extend my sincere gratitude to Ellen & Stewart Little, William & Heidi Monroy, Tom & Carrie Nally, John & Mary Kay Paladino, Barry & Ginnie Rickert, and David & Sandy Whitman for making the Spring 2008 oversight inspection a huge success!!

The weather during our Spring inspection (4/18 – 4/25) was unbelievable! We had 70 and 80-degree weather all week long, with snow from the harsh winter that we had still on the ground. We were able to complete the inspection of all 77 units, as well as completing the following tasks for our Maintenance Manager, Neil MacDonald.

- Screen doors were installed where needed, as well as repair the ones that we were able to repair.
- Air conditioner covers were removed and cleaned, as well as the a/c units being cleaned.
- Outside furniture was placed on all the porches in the Lodge, and Reach units as needed.
- Walkways and entrance areas on all Reach units were cleaned of sand with broom and leaf blower.
- Outside staining of the molding around the new sliders was completed on Ropewalk East 1, 2, 3, 4, and 5 buildings
- Wood borders around fireplaces were restained in all units in Ropewalk East buildings 1, 2, 3, 4, 5, and 8.
- Vinyl corner strips were installed on all walls in units located in Lodge, Reach, Springhouse, and Ropewalk West buildings.
- Interior painting of molding around the new windows installed in units located in Ropewalk East buildings.
- All air conditioner filters in all units were cleaned for summer usage.

Hard to believe that Fall 2008 is just around the corner! This is a beautiful time of the year to be up in New Hampshire and be out doors and enjoy the fresh country air, and peace and tranquility of our resort. If this sounds great to you, think about coming up for Fall 2008 maintenance week that begins on Friday, November 07th, and concludes on Friday, November 14th, 2008. At this time, we will be completing our annual Fall inspection of all our resort units. We will also be performing some small projects that our Maintenance Manager, Neil MacDonald may have for us.

If you are interested in coming up for several days, or even the entire week to help out, please contact Sharmaine at 1-603-536-4600. Let her know what days you will be coming up to help out, for she can reserve a unit for you to stay over. We will be looking forward to seeing our past volunteers, and any new volunteers that would like to come up and join the Oversight Committee.

Remember, whether it is vacation time, or a little volunteer work at our resort, "Cold Spring Resort is Where Good Times Are Shared!!"

Sincerely,

Paul E. Tousignant
Committee Chairperson

Summer and Fall Recreation Report

RAIN RAIN GO AWAY! What a summer we have not had. Indoor activities were very popular this summer. Paula returned for crafts again this year, her fourth summer, and she was very busy with craft classes. Everyone enjoyed keeping busy when it rained. Thanks Paula!

Due to the gas prices, we have been trying to do more trips to local attractions. Actually, we have been doing two trips a day if possible. This way we can try to give people more variety. This brings up a point that needs to be addressed. During the summer months we have a large family population at the resort. We have all ages, kids, teens, seniors etc. and everyone has their own idea of what they would like to do. Families with teens want teen things to do, as well as families with children under the teen ages want things offered for their age children. Older adults don't want to have to drive to places. Obviously with only one full time person and a part time person during the summers, we can not offer everything. We have listened to the members that have suggestions on what they want to see and have taken action on some of the suggestions. We want you to know that your suggestions are noted but everyone must realize that we need to stay within a budget and can't make some of your suggestions a reality. We all want to keep our maintenance fees from rising.

There are a few new things in the area that some of you may want to try. Tenney Mountain now has Zip lines! They take you up the mountain on the chairlift and you zip through the trees and ropes till you get back to the main lodge. The price is less expensive than most zip lines but you do have to make a reservation and give a credit card number in order for them to save you a space. If you don't show up and they can't fill your space, they will charge you for the no show. Alpine Adventures in Lincoln also offers zip line and an off road adventure ride in a 6 wheel drive vehicle that will have your yahooing all the way. If you are interested in doing this on your vacation, just ask for information or see our brochures at the front desk.

Hopefully our fall weather will be dryer and we will be able to enjoy the brilliant colors. Check with the front desk to see what activities are planned for your week and make sure to sign up.

For all you skiers out there, we want you to be aware that we sell discounted ski tickets to Waterville Valley. Buy the actual lift ticket from us and save money, no waiting at the ticket booth and no sellouts. If you plan your week right, you could ski at the area mountains midweek at two for one days. Think about a midweek getaway.

Our annual meeting this year will be November 8th, so save the date. We will be offering our owners discounted rates on the rooms for this weekend so put us in your plans. Look for the call to the annual meeting with all the details of the weekend that will be arriving in the mail soon.

See you soon!

Linda Marrer,
Recreation Director

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