

Executive Committee Meeting
Summary Highlights

Please note that the following are only Draft highlights of the keys points covered and any decisions made by the Executive Committee during the meeting. These are not final approved minutes and are being posted strictly to be able to provide a timely overview of the Dec. 6th meeting.

Detailed minutes will be posted on the near future when they are completed and approved by the Executive Committee

Proprietors Strata Plan #25

(Strata Association) Board General Meeting

December 06, 2004 at 8:30am in the Hospitality Lounge

Board Members present:

Mr. Stan Hartling – Chairman

Ms. Catherine Caldwell –on behalf of Hummel Ltd.

Mrs. Linda Harper – Board Member

Mrs. Elizabeth Flamant – Board Member

Mr. Richard Long – Board Member

Oceanside Marketing Ltd present:

Mr. William Anderson – Managing Director

Mr. Christoph K. Warnke – Chief Financial Officer

Mr. David M. Trudnak - General Manager

Mr. John Shaw – Director of Engineering

Mr. Steve Hegewald – Corporate Financial Controller

Ms. Karina Felix – Corporate Director of Owners Relations

The board meeting commenced on Monday December 6, 2004 at 9am in the Hospitality Lounge at The Sands Resort at Grace Bay.

Welcome and Greeting by the Chairman:

Mr. Hartling welcomed everyone and allowed each person in attendance to introduce themselves as well as introducing Meike Planitz the new Corporate Executive Housekeeper for both The Sands Resort and The Palms Resort.

Review and approve the minutes of the Board Meeting on June 30, 2004:

The minutes of Jan 7, 2004 were circulated to all those in attendance and time was given to review the minutes of the meeting. The chairman asked if there were any questions. As the members review the minutes Mr. Hartling mentioned that one item has come up in the June meeting relating to Capital Expenditures that were long and short term expenditures over the course of the coming years. Since this issue was raised he placed Capital Expenditures as an agenda point for this Board Meeting.

Mr. Hartling mentioned the lawsuit pertaining to Henry Parker who was the former Landscaper at The Sands. Mr. Hartling attended court in October and Henry Parker and his Lawyer were not prepared to hear the case because he had only appointed his lawyer days before the trial and he was unaware that this much information existed in relation to the case. At such time the Judge postpone the case and a new date was set for April 05

Matters arising from the minutes:

Mr. Hartling asked if there were any further matters arising from the minutes? There were no additional matters arising from the minutes. A motion was made by Mrs. Harper and seconded by Mr. Long to approve the minutes of the meeting.

Agenda Points to the Executive Committee Members for the Strata Plan on December 6, 2004

- Review Financial Statements – Strata Corp. Year to Date as of October 31, 2004
- Review Strata Budget for January to December 2005, Board Approval
- Review of insurance renewal and revised format being proposed
- Discussion / Proposals of Capital Works Program Requirements
 - Review notes from Nov. 20, 2005 walk through
 - Additional inputs from the board on the property condition
- Determination of Key Capital works required for the upcoming year and funding
- Marketing Overview – Performance Results to Date, Strategy for the Future and Market

- Condition Up-date
- Discussion on other key factors that can Maximize ROI for the Owners
- Introduction of New Management
- Update BBQ Policy and get feedback on the changes made in July 04
- Any New Business

Review of un-audited financials as of October 31 2004:

The actual financial statements and its variances were discussed from July to October of this year by Mr. Warnke. Mr. Warnke mentioned that the structure of the Income Statement has improved because of the New System and that he can itemize the different accounts for better understanding and review purposes.

INCOME

Income was stated slightly behind due to Maintenance and Utilities income that reflected a negative variance of (\$4,589).

PAYROLL AND RELATED

Payroll and Related has increased due to a 30% allocation for the Dir. of Engineer payroll, work permits and daily allowance of \$4.00 for employee transportation/meal. A total increase of \$7,795 was posted due to the above reasons.

OTHER EXPENSES - Variances

Other expenses were explained line by line by Mr. Warnke. A negative variances of (\$36,389.22) for other expense was due to the following reasons.

- Asset Protection Expense of \$20,866.11 was posted for the 2 hurricanes in the month of September an October.
- Maintenance on the truck for common area amounted to \$3,260.19.
- Building Maintenance for the Fire Alarm Panels (this only includes 70% of the work that has been done) amounted to \$7,786.19.
- Landscaping Supplies increased over budget by \$7,961.00 due to a temporary contract with an outside company for spraying and maintaining the Common grounds. This was partially off set due to savings in payroll for the terminated landscape supervisor.
- Security and Risk management had a negative variance of \$5,138.00 due outsourced Security Company. This extra cost was due to the increased security that was required after the shooting incident over the summer on the Beach in the evening. Unfortunately this incident happened to involve a Sands guest. Mr. Warnke explained that this will be reduced because the resort will have its own security on property.
- Beach – Equipment supplies had a variance of \$5,380.26 for the installation of the foot-wash area and walkway to the beach.

OTHER EXPENSES - Savings

- Subcontractor was reduced by \$5,288.00 due to work being carried out by resort employees.
- Sewage Treatment Plant maintenance contract was cancelled that resulted in a savings of \$5,000.00. Engineer personnel will maintain Sewage Treatment Plant.

FINANCIAL STATEMENT RESULTS – reviewed by Mr., Warnke

	YTD ACTUAL	YTD BUDGET	VARIANCE	Variance %
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Income	290,893.19	295,483.00	(4,589.87)	1.5%
Payroll/Related	92,605.96	84,990.00	(7,615.96)	8.9%
Other Expenses	222,819.21	186,430.00	(36,389.21)	19.5%
Total Operating Expenses	315,425.17	271,420.00	(44,005.17)	16.2%
Net Surplus/(loss)	(24,532.04)	24,063.00	(48,595.04)	

Mr. Warnke explained that we are constantly charging our operational budget with capital expense items and that this should be charge to a Capital Expense budget. For example, the hurricane and the fire alarm panels should be taken out of the reserve and not out of operations because the management had no way of knowing these item would occur when doing the 2004 budget. Mr. Warnke summarized it by saying that \$28,652.30 should come out of the reserve. He made a suggestion that we remove it from the operations expense and use the reserve to pay this amount. Mr. Long said that this is what the reserve account is for. Mr. Hartling agreed but before reversing the posting he wanted the board members to be aware of it and get their approval. Mrs. Caldwell asked how much was in the reserve. Mr. Warnke says \$131K and Mrs. Harper mentioned that this is not enough and the board members agreed unanimously.

Motion to move storm Damage Costs and Fire Alarm Repairs to the Reserve Fund

Mr. Warnke made a suggestion to remove the \$28,652.30 from the actual operations expense and debit the reserve account. The motion to remove the \$28,652.30 from the actual operations expense and use the reserve fund was tabled, seconded the motion was unanimously voted and approved.

A motion was made to approve the Financial Statements for the period of July 1/2004 to October 30, 2004. Ms. Caldwell made the motion to accept the financial statement results and Mrs. Harper seconded the motion.

Review Strata Budget for January to December 2005, Board Approval

Mr. Warnke gave a line item review of the Strata Budget showing all budgeted revenues and expenses of the Strata Corporation for January to December 2005.

Copy of budget attached, detailed review notes will be posted with final minutes.

Review of insurance renewal and revised format being proposed

Mr. Hartling began the discussion by expressing his concern over the upcoming insurance rates based on the large volume of Hurricane damage that took place over the past 4 months and in particular the devastation in Grand Cayman

He has been given indication from some brokers that rates could possibly climb by as much as 20%.

The Management Company has spent a great deal of time over the past month researching ways to try and reduce this exposure and at the same time to try and see what improvement can be made to our coverage.

One approach that they discovered could actually not only avoid the increased costs but actually lead to a cost savings and provide better coverage to individual Owners.

The Outline is as follows:

- The present Policy is for \$19,000,000 and covers the entire buildings exterior and interior finishes.
- the present deductible for storm or hurricane damage is 5% of the sum insured
- The deductible is based on the total value of the individual Building, i.e. if for example an individual Building is valued at \$ 4,000,000 in construction costs, the deductible would be \$ 200,000 for any given instance.
- The concern is that if damage occurred in only 2 units for example that amounted to \$120,000 (2x\$60,000), then there would technically be no coverage because the total deductible for that Building is \$200,000.
- The costs to acquire a 5% deductible are approximately 20% more than getting a 10% deductible coverage. This off course would lead to an increased exposure for the Owner in the event of Storm or Flood related Damage, however the Management Company has devised a proposal that may allow the Strata Corp. to take advantage of the lower rate while avoiding or reducing the increased deductible exposure.
- The proposal is to break out the interior value of the building away from the exterior and structural values.
- By doing this two separate types of policies would be written. One would cover only the common structural walls, roof and exterior of the buildings and a second policy would be issued in the name of each individual owner covering all of the interior finishes of the building , i.e. cabinets, trim, flooring, paint, drywall, A/C etc. (this does not include furnishings or personal effects)
- To the owner the two polices would be seamless as the renewals for all of the individual Owners would be filed at the same time as the Strata Policy. The owner would simply see two deductions on their statement instead of one for the insurance expense. The Management Company will handle the work of the extra administration involved with renewing under this format.
- The management company went through and analyzed 3 years worth of historical construction cost records for The Sands and determined that approximately 37% of the building costs related to the interior finish components.
- Should the same occurrence now happen, whereby the interior damage to inside of the unit was \$150,000 the deductible for the owner of a typical 1 bedroom unit would be roughly \$7,600 based on an approximate interior finish valuation of \$ \$76,000 at a 10% deductible. (for example purposes only)
- The Deductible of the main building would only increase slightly as with 63% of the value being insured, the 10% deductible would only rise to \$252,000 for any exterior damage.
- It is the hope of the Management Company that if it can successfully write the policy in this fashion there would be a substantial cost saving over the present alternative given the proposed increases.
- Because over 1/3 of the policy will be written in the name of the Owners rather than the Strata Corp. it was pointed out that this will lead to an approximate loss of \$10,000 in Management Fees to the Management Company as its fee is based on the assessments in the Strata Corp. The Management Company is willing to accept reduction in fees if it can lead to substantial overall savings for the Owners.

Because of the great deal of time involved in researching the historical construction costs and preparation of supporting schedules for the Insurance Companies, it was not possible to have all of the required information ready in time for the Dec 6th, 2004 renewal. The Management Company was successful in getting the present insurer to extend the policy until Jan 31, 2005 in order to allow for time to complete the submissions under the new format. Thus, there will be a

small interim billing on the upcoming Owners Statements for this extension.

The other reason to try and extend the renewal date was to try and have The Sands and The Palms policies quoted together in order to get a lower pricing based on the higher volume of overall insurance.

Additionally, Mr. Hartling stated that he would like to propose that an Independent Insurance Advisory Firm be hired to review the insurance policies to ensure that we are getting solid coverage and the best pricing. He offered to have the Management Company split this cost as well as the Palms.

Mr. Hartling asked the board if they were in support of the Management Company continuing with the 10% deductible proposal and the hiring of an independent Insurance Advisors.

The Board members were unanimously in favor of both suggestions.

Approval of Special Assessment for Hurricane Expenses, Major CAPEX Costs and Key Capital Works required for the upcoming year

Mr. Hartling explained to the Board Members that this is the year to put capital back into the facility and that the facility is looking tired based on it reaching an age of 6 years in many areas.

Both John Shaw and David Trudnak put a great deal of effort to put together an itemized list that summaries the capital expenditure for this year. Many of the items on the list are based on recent owner feedback.

A copy of the detailed Capital Items for consideration is attached. Detailed discussion notes on each of the relevant areas will be included with the final minute notes.

Stan Hartling asked the board members for a motion on the special assessment for Capital Expenditure of \$200,000 (approx \$1.50 per square foot) to be accounted for in the month of December, any funds from the special assessment not used will be debited to the reserve fund at the end of the year.

Furthermore, the motion is to consider an additional assessment of \$29,000 that will replace the \$28,652 (Taken from the Reserve fund for Hurricane Damage and Fire Alarm Panel works) and \$16,000 to top up the reserve contribution to the intended goal of \$45,000. This would amount to \$ a total assessment of \$245,000. (Approximately \$1.83 per.sq ft)

A Schedule of the exact amount per unit type will be posted on the web site.

Mrs. Harper made the first motion to accept the above and Mr. Long second the motion. Mr. Hartling asked for a vote from the entire committee by show of hands. The entire committee voted unanimously in favor of the special assessment, based on the understanding that the assessment will be deemed to apply to all Strata Lot unit holders as of the close of Business on Dec 6th. The billing date for the assessment will be deemed to be Dec. 7th and will be shown on the Decembers Owners statements.

Thus, it was resolved by unanimous vote of the Executive Committee of Strata Plan #25 that the total assessment of \$245,000 would be made to all owners on register as of the close of business Dec 6th, 2004 to be billed effective Dec 7th, 2004. The assessment to be allocated based on unit entitlements, It was further resolved that \$200,000 of the assessment be used for the approved

capital works schedule and not be treated as part of the Reserve Fund. And that the remaining \$45,000 of the assessment be used specially as a contribution to the Reserve fund.

A detailed list of the Proposed Capital Expenditures will be posted on the Owners web site page.

Additionally a schedule will be posted showing the amount of assessment for each unit type.

Owner's letters and other comments

Mr. Hartling talked about the note from one of the owners in which the Owner mentioned that we did not put new linen, blankets or bath robes in to the condos yet and the only thing we improved and placed in the units was terry linen for the bathrooms. It was clarified that the charge that was assessed was only for Terry's and not for Linens. This is a separate charge and the new linens will be in place shortly. The bath robes have just arrived and they will be implemented as soon as possible. The Management Company will check to see what the status is on the bedroom linen/pillows and mattresses for implementation. Another point raised in the Owners letter related to the condition of the lounge chairs. This matter will be resolved with the purchase of new loungers in the main pool area and the refinishing of the existing wood ones which will be put into the central pool areas.

One Owner had requested that the BBQ removal decision be reviewed again. Ms Harper agreed that she and other board members also missed the BBQ but due to liability the resort feels that this will not be possible to reinstate the BBQ unless another alternative can be suggested. The main issues around the BBQ where the lack of cleaning after use, failure to shut of the BBQ after use, BBQ being turned on while being locked, thus leaking raw propane until empty, impact on rental guest experience when being told that BBQ only for the use of Owners and general liability associated with such use. .

Annual Charge for battery & Bulb Replacement

An issue was brought up from the last meeting regarding the owners receiving their statement and seeing multiple batteries and light bulbs charges. These costs are must be covered and although the revenue goes to the Strata Corp. the small billings continue to be a source or contention for both the Owners and the Management Company who has to administer all of the charges and field inquires in to the billings. The batteries in the safes must be replaced twice a years in order to avoid access problems for guests and the remote batteries are replaced very often do use and loss. The management Company proposed that a one time annual charge be place on the owner's statement for the year rather than trying to bill out for each time one of these items are replaced. The proposed annual charges would be are as follows:

Studio Suite Units	\$ 50.00 per year
One Bedroom Suite Units	\$ 65.00 per year
Two Bedroom Suite Units	\$ 80.00 per year
Three Bedroom Suite Units	\$ 95.00 per year
Three Bedroom Suite Deluxe	\$105.00 per year

This charge will include all batteries for safes, remotes as well as all light bulb replacements within the unit. As with work orders this revenue will be credited to the Strata Corporation in order to cover the cost of proving this service.

The Board Members agreed with the proposal and Mr. Long made the motion and Mrs. Harper

Seconded the motion.

Mr. Hartling requested to have the next ANNUAL GENERAL MEETING on Thursday, June 23, 2004. The Board members agreed to have it at this time. Mr. Hartling mentioned if we can get the technology, an owner requested to explore the possibility of making a conference dial service available to Owners for the next Annual General Meeting. Executive Committee members supported the idea although it is likely that this would be a very expensive option for an owner based on the fact that the meeting tends to proceed for several hours. The possibility of making this available through the technology on Island will be explored.

Mr. Hartling announced that Chris Warnke will be leaving the Management Group as of January 31, 2005 in order to join his wife and child who have moved to Orlando where his wife assumed a executive position in a large hotel. A great deal of appreciation and praise was given to Mr. Warnke on behalf of all of the Executive Committee members as well as those in attendance for the management Company. Mr. Warnkes efforts were greatly appreciated over the past years.

This brought to a close any formal business that falls under the responsibility of the Strata Corporation and Executive Committee. The Management Company continued the following discussions in order to provide updated information on Marketing and other matters that are outside the scope of the Strata Corporation but are being covered in order to gain general feedback from the Executive Committee members.

Marketing Overview – Performance Results to Date, Strategy for the Future and Market Condition Up-date.

Detailed notes of the marketing overview will be posted with the final minutes

Condo Unit Up-grades

Details of the discussion will be posted with the final minutes.

Close of Meeting

There being no other business the Chairman adjourned the meeting at 2:30PM