

## **Proprietors Strata Plan #25**

**(Strata Association) Board General Meeting**

**June 30, 2004 at 10:15am in the Hospitality Lounge**

Board Members present:

**Mr. Stan Hartling** – Chairman

**Ms. Catherine Caldwell** –on behalf of Hummel Ltd.

Board Member absent with excuse:

**Mr. Miles Hamm**

**Mrs. Elizabeth Flamant**

**Mr. Richard Long**

Owners present:

**Mr. & Mrs. Howard Lowre**

**Mr. Marvin Statisky**

**Mr. Michael Loeffler**

**Mr. Russell Peterson**

Oceanside Marketing Ltd present:

**Mr. William Anderson** – Managing Director

**Mr. Christoph Warnke** – Chief Financial Officer

**Mrs. Mara Bouvier** - General Manager

**Ms. Teresa Brunner** – Resident Manager

Other:

**Ms. Yvette Marcelin** - Attorney at Law

**Ms. Tekarah Williams**- Summer Student (TWA)

The board meeting commenced on Wednesday June 30, 2004 at 10:15am 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.

Mr. Hartling gave an overview of why the original meeting which was schedule for June 23/04 had to be adjourned to today's date.

This related to a lack of a quorum via proxy and attendance on June 23/04 and in this event the Strata Titles Ordinances requires that an adjourned meeting be held exactly 7 days later. A quorum will then consist of those in attendance or by proxy. The chairman reported that there were 46 proxies forwarded in addition to 5 proprietors in attendance. Mr. Hartling reviewed the misunderstanding that lead to the expedited issue of proxies (see notes from June 23/04 meeting) and apologized for any inconvenience caused.

At the Management Company's expense (Oceanside Marketing) Mr. Hartling asked Ms. Yvette Marcelin to attend the meeting as legal counsel to ensure that all procedures being followed were in accordance with the Strata Titles Ordinance.

**Review and approve the minutes of the Board Meeting on January 7, 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. Mr. Howard Lowre questioned the content insurance. Mr. Warnke said we reorganized the content insurance this year and information was sent regarding the insurance with the monthly statements and also via the website explaining that the content insurance now expires February of each year in order to assist with processing renewals.

There were no others questions.

**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 Mr. Long and seconded by Ms. Caldwell to approve the minutes of the meeting.

Mr. Hartling introduced Mr. Anderson as Managing Director who will oversee all properties and any future developments with respect to resort and property management.

Mrs. Mara Bouvier was introduced as the present General Manager of The Sands and will be moving to The Palms once the new facility opens. Ms. Bouvier was hired in advance so as to provide assistance and training to the Sands during the transitional period.

**Review of un-audited financials as of May 31 2003:**

The actual financial statements were discussed and explained by Mr. Warnke. He mentioned that the budget figures have been included for June because June 30<sup>th</sup> is the end of the fiscal year and these statements only go to May 31. He also noted that it was the intention to change the year end of The Strata Corp. to Dec. 31 as part of the installation of new accounting software

which is being changed. A copy of the Financial Statements posted will be on the website for owner review.

Mr. Warnke gave a line item review of the financial statements showing all revenues and expenses of the Strata Corporation.

It was noted that Maintenance Revenue was above budget which helped the Strata Budget. Mr. Hartling explained that this revenue source represents all of the billings for Works Orders that take place inside individual units. The Sands Management Company is different than many resorts in that the Management Company voluntarily elected not receive the revenue from work orders. Any revenue generated is credited back to the Strata Corporation for the benefits of all owners.

Mr. Hartling reviewed the Strata Lot Management Fees and Strata management fees and gave an explanation of how they are applied and calculated. It was noted that because the Management Fee is based on a percentage of total assessments this fee would have increased in 2001 after insurance expenses went up dramatically. The Sands Management Company has voluntarily reduced the fees below the entitled charge approximately \$40,000 per year for 3 years. As for the budget issued and approved in Jan 2004 the fee will resume to a normal calculation. Other expense items were reviewed and a detailed discussion held in relation to capital type expenditures.

#### **Repair and Maintenance:**

Mr. Warnke referred to his notes of the June 23/2004 meeting. The main issue is that the operating budget is being strained by the occurrence of capital type expenditures and repairs. For the most part operating expenses are under budget but this is being overshadowed by larger maintenance items. Mr. Anderson mentioned that we are hiring a qualified maintenance engineer to manage both properties (The Palms & the Sands) and that there would be an increase in service. Because of the cost associated with this position it has not previously been possible to have a full time person on staff within the Strata Budgets. This individual will be cost shared by the properties so it is now possible to have such an individual on staff. Mr. Hartling highlighted that while the addition of an Engineer to the staff might have a short term cost increase it would undoubtedly save money in the future. This is especially critical now that parts of the facility are approaching 6 years old. Increased preventative maintenance will help reduce or prolong capital repairs and replacements. Additionally it was hoped that by having a qualified engineer available that there would be a reduced reliance on outside subcontractors, thus helping to reduce certain repair costs both within the Strata Budget and for works orders within the Suites.

#### **Cost Reviews:**

#### **Sewage:**

Increase mainly cost by maintenance and supplies.

#### **Swimming Pool:**

Swimming pool over budgeted by \$3000 because the new light fixture were installed on all pools, etc.

#### **Landscaping:**

We invested approximately \$18,000 in new grass, plantings, re-doing major plant beds, bark mulch, major spraying and fertilization, etc. Part of this expense related to upgrading the landscaping and taking out outgrown plants but part also related to willful acts caused by the past landscape manager who was terminated as a result of some of these issues. Mr. Peterson asked why the expense portion relating to the damage caused by grounds manager was being treated as an expense of the Strata Corp.. Mr. Hartling explained that unlike many properties The Sands Management Co. does not simply sub contract the landscaping out to an independent firm but instead it manages direct landscape employees of the Strata Corporation. This requires a more administration on behalf of the Management Company but has resulted in large savings every year for the Strata Corporation by taking this approach. Based on competitive contract costs for a property of this size the anticipated savings are likely \$20,000 annually. The risk however is that if an employee of the Strata Corporation does cause damage through neglect or otherwise then this can be an additional cost. It is evident that this has been an isolated incident and the savings to date has far out weighed and extraordinary expenses. Mr. Hartling further explained that the terminated employee has filed a suit against the Management Company. The Sands Management Company has agreed to defend the action at its cost as the consensus was that it was important not to settle out of court under the circumstances as it could create a bad precedent to other employees in the future. The expected costs to defend the case are estimated to be \$5000-\$10,000, but these costs will NOT be charged to the Strata Corp. Mr. Hartling stated that his firm has completed a very detailed file in relation to the termination and it is expected that the employee will not be successful. The court date is set for Oct/2004.

Mr. Anderson mentioned that we will hire an experienced grounds horticulturalist for The Palms and The Sands. Thus in the meantime a new replacement has not been hired. A short term contract has been issued in the meantime to a professional Landscape firm to do essential spraying and periodic site inspections.

It was noted by the Owners in attendance that the Landscaping looked notably better this year then the same time last year

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#### **Recreation:**

New beach chairs were purchased this year and a "foot wash" was installed. Huts were also re thatched which were additional expenses. Two new exercise machines were installed in the gym. One piece was donated by The Sands Management Company and one paid for by the Strata Corp.

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#### **Security and Risk Management:**

We originally had a contract with a local Security Company from 10:00am to 2am but that was not enough coverage. The new shift is dusk to 6am. There is also a supervisor hired by the security firm to check on the gentleman during his shift. The security guard has 10 points to check each night and in the morning we have a print out of the report from the new monitoring that was installed this year. Mr. Anderson mentioned that in the last few months there were numerous of break- ins, in Providenciales therefore we had to implement an improved security system and we want to make sure the owners/guests feel secure.

Mr. Peterson asked if the monitoring equipment was a predictable system. Mr. Warnke mentioned it is organized in such a way and it has to be checked every hour but that it worked in a random fashion so someone could not predict where the guard would be at any given time.

### **Operational Expense:**

Mr. Warnke highlighted that while an additional surplus to be applied towards a reserve this year (actual/budget surplus of \$52,700) the goal was to create a surplus of \$88,000 Mr. Warnke stressed that while operational expenses are being kept at or below budget the final surplus is being affected by capital type expenditures. The present reserve is \$100,000 with an additional \$30,000 being set aside this year for a total of \$130,000. Because the facility is now passing its 6<sup>th</sup> year of operation it would be prudent to have a more guaranteed plan of setting aside stipulated reserves rather than it being a function of the surplus left from yearly operating budgets.

It was highlighted that the Reserve allocation is held as an asset for the Owners and that the present policy is to have the pro rata portion of this asset credited to the vendor upon any future sale of the property. Thus Owners do not lose the funds that are put into the Reserve Fund as they will get back any unused balance when they sell.

The efforts to build up this reserve are strictly based on long term responsible fiscal policy and not because of any immediate extraordinary expenditure requirements.

Two possible approaches were offered as a way to strategically build the reserve. One would be based on a one time annual assessment and the other would be to have a separate monthly amount set aside (for example at 10cents per square foot per month). Discussions with those in attendance at both the June 23/04 and June 30/04 meeting favoured a monthly amount be set aside and shown separately on an Owners statement. Under this method the surplus or deficit from the annual operating could be either refunded to reimburse by the owners at year end. Alternatively any operating surplus could be added to reserve fund.

Mr. Warkne will formulate a schedule that will show a targeted reserve amount based on expected future capital expenditures. The need for the reserve fund is not considered urgent but by adopting a defined policy now it can help assure the accumulation of a reasonable future provision. It was highlighted that a properly funded reserve account acts as a means of protection for all Owners so that in the event of a major occurrence causing damage, the funds are available without risking the possibility that not all owners could contribute their respective amounts immediately as required in order to remedy the issue. This matter was being tabled for future discussion purposes and input from owners with the goal of possibility addressing a more formal policy at the next scheduled meeting.

### **Operations and Marketing Overview:**

**PLEASE NOTE-THIS SECTION IS AN INFORMATION SECTION ONLY IN RELATION TO THE MARKETING ACTIVITIES OF THE MANAGEMENT COMPANY- IT IS NOT A FORMAL STRATA CORPORATION MATTER AND ONLY IS APPLICABLE TO THOSE IN THE RENTAL PROGRAM**

Mr. Hartling mentioned the Management Company will be completely redesigning The Sands Brochures this year. This will include new photos shoots and completely new ad designs.

Mr. Hartling mentioned that we have been voted one of the top 10 resorts in the Caribbean by Conde Nast also they put us on the Gold list as one of the top 10 resorts in the Caribbean. Caribbean Conde Nast Top 100 #7 in Caribbean Atlantic (Readers Choice) Caribbean Travel & Life Best mid sized hotel Conde Nast Gold List by Conde Nast themselves- The Sands at Grace Bay 700 Top Hotels Resorts in the world only three were mentioned in Turks and Caicos. We need to ensure that with these ratings we uphold the standards so guests will not feel misled. Also Caribbean magazine gave us best mid sized resort in the Caribbean.

Ms. Marceline said that she knows these awards have had a positive effect with the clients she has represented in recent resales at The Sands.

### **Change of Booking and Call Center to TCI**

Mr. Hartling added that part of what we are doing to improve service and reduce costs is having our Reservation and Call Centre here in Providenciales, Turks & Caicos. He highlighted that in the past SMARTS INC, an independent booking agency in the USA, handled our bookings and Call Centre sales functions. SMARTS INC has done a good job in the past but there are many advantages to having the booking agency and call centre function moved to TCI. One of the main benefits was the ability to control and have more influence and control over the selling process for inquiries by agents and guests. This means more direct training and knowledge of the property as well as local attractions and other information about TCI. The performance of the specific sale agents can be tracked much more accurately to monitor sales performance results. Another advantage is the ability to closely monitor the inventory of rooms and make necessary change to categories that may be lagging during certain times of the year. By having this function in house more proactive responses can be made in terms of special rates (or termination of special rates if bookings increase). This also means that we can work more closely with booking media like Expedia because we have the ability to monitor the inventory daily and keep our information base with Expedia updated to direct the bookings in the fashion we desire. This change has also facilitated the conversion of the web site so that people can now make reservations directly on the web site rather than simply making a request for information. Finally the other reason would be to try and create a cost savings to the Owners and Management Company. This was not previously feasible as the volume could not justify having anyone set up a booking and Call Centre and create any cost savings to all involved. This takes into account the long distance charges for a 1-800 number directed to the Island rather than in the USA and the software, staffing and other overheads associated with running such an operation. Historically, the costs to handle all booking function ranged from 4%-10% of the gross rental depending on the type of booking, i.e. travel agent, wholesaler, direct guest. The average cost over the year was approximately 6% and this cost is shared by the Management Company and the Owners as it gets deducted from the Gross Revenue.

With the upcoming expansion of The Palms it appears that it could now be feasible for the Management Company to establish a full booking and revenue management Centre on Providenciales. The Management Company has invested into new software, revenue management and reservations staff as well as additional office space to accommodate the operations. Based on the current cost analysis, the Management Company feels that it will be able to offer the same services that were provided from SMARTS based on a flat fee 3.5%. This change will not only mean a saving to the Owners and Management Company but should result in increased sales performance.

*The software required to handle the reservation requirements is being installed June, 30 2004 and the current contract with SMARTS will expire in September 2004. It is at this time that the 1-800 number will revert to TCI and the functions will handled locally by the Management Company and the costs will drop to the flat fee of 3.5%.*

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## **New Business:**

### **Election of Executive Committee**

The chairman gave an overview of each of the candidates that expressed interest in participating as an Executive Committee member. Mr. Hartling asked for input from all in attendance. It was highlighted

by Mr. Hartling that on behalf of The Sands Management Company he would like to have an emphasis on not only related experience, but the ability to attend meetings and also consider that some of the Board members should be individuals that tend to spend a prolonged period on site so they can be more involved and available to Owners during any visits. Mr. Hartling highlighted that he was very desirous of increased participation from the Board in the upcoming year so that the Management Company is not directly dealing with matters that are of a Strata Corporation nature.

After detailed discussion among those in attendance a vote was held. It was determinate by formal vote of those in attendance and by proxy that the Executive Committee will consist of:

STAN HARTLING – CHAIRMAN

LINDA HARPER

CATHERINE CALDWELL-\* On Behalf Of Hummel Ltd.

RICHARD LONG

ELIZABETH FLAMANT

**\*Please note that Miss Caldwell was nominated and elected to serve in the capacity of the representative of Hummel Ltd.** This Corporation owns a unit at The Sands.

The ballots and proxies were reviewed by Ms. Marceline to ensure accuracy and compliance to the Ordinance

### **B-B-Q:**

Ms. Brunner mentioned that some of the owners did not maintain the BBQ grill after usage and that it has been left on several times. It has also has been turned on a few occasions on by someone and not lit because the top is locked. This has lead to staff discovering raw propane leaking out. She expressed concern about the liability should an incident happen where this causes an explosion.

Another important factor is related to paying guests who sometimes take exception to the fact that they see an Owner using the BBQ and then they can't use it. This can create bad feedback on the comment cards. It was agreed that having the BBQ available for use to all guests was not an appropriate option.

It was suggested that we would remove the BBQ grill at the present time and monitor the situation and revisit it at a future time. Stan Hartling made the motion and seconded by Mr. Peterson.

### **Possible New Meeting Dates**

The Chairman suggested that it might be desirable to consider a different meeting date for the General Meeting. Initially the feedback from Owners indicated that the preferred time was during June so that it would mitigate any loss of revenue for them to attend. Based on recent concerns expressed by some Owners over meeting times, the Chairman would like to request input from owners to establish a preferred date if in fact there is a desire by the majority to change the date. This was concurred by all of those in attendance.

November was suggested as an alternate date to hold an upcoming meeting. Ms. Marcelin will provide advice on whether this meeting would be deemed, a general meeting or be an extraordinary meeting. Having a November meeting would allow time to review the budget before the New Year End of Dec. 31/2004 and address a new budget for the 2005 year. The chairman will request input from Owners in regards to preferred time for an Annual General Meeting and advise according. The next meeting date will be established by the Executive Committee in the upcoming months and notices sent out to all owners.

### **Confirmation of By-Laws regarding unit décor:**

Teresa mentioned in the maintenance and rental agreement there is a policy that states there should be a unified standard of inventory in all units that are in the rental pool. She also mentioned that several owners have extra items in their units, which are not in compliance. One of the main issues relates to having different TV's and electronic equipment as the Management Company does not have remotes or manuals for these units should something go wrong or a remote misplaced. The Sands Management Company will do it's best to work with the existing conditions but asks for increased compliance in the future for to help provide better service to our guests.

Mr. Hartling mentioned that we do not have a problem if Owners use their personal items when they are in-house however they should be put away in the Owner' closet upon check-out for everyone's benefit.

### **Approval of June 30, 2004 Budget**

The 12 month budget that was approved in the January 7, 2004 Board meeting was re-tabled and approved as a 6 month Budget in light of the fact that the year end will be changed to December 31. The Budget was simply pro-rated on a 6 month basis with no amendments to overall budget amounts.

Motion to approve by Ms Caldwell and seconded by Stan Hartling

### **Change of Year End to December 31**

In order to best accommodate the change in accounting software it is recommended that the Year End of the Strata Corp be changed to December 31. This amendment does not create any change in costs to the Strata Corp. and only affects the reporting dates.

Mr. Hartling highlighted that the new software will provide enhanced reporting ability to the Owners including more detailed information on Work Orders and the ability to email monthly statements instead of the present time consuming method of faxing the statements to everyone which presently take 2 ½ days to perform for all 90 owners.

Motion to approve made by Mr. Hartling and seconded by Mr. Caldwell

### **Close of Meeting**

There being no other business the Chairman adjourned the meeting at 12:45 PM