

**The Proprietors of Strata Plan #25
The Sands at Grace Bay
Annual Board Meeting
Thursday, December 14, 2006**

The Annual Board Meeting was held December 14, 2006, at The Sands at Grace Bay Hospitality Suite.

In attendance:

Board Members:

Stan Hartling, Chairman
Elisabeth Flamant
Linda Harper
Richard Long
Craig White

The Sands:

Darren Law, Managing Director
Pierre Beswick, General Manager
Veer Pudaruth, Financial Controller
Simon Parr, Director of Engineering & Special Projects
Joan Hagan, Director of Owner Relations

The meeting began with a welcome from the Chairman, Stan Hartling. An introduction of Simon Parr, Director of Engineering followed. SH stated that Simon (SP) will be responsible for the preventative maintenance, routine maintenance and the renovation programs at the resort.

Review of the Minutes from the Annual General Meeting:

SP stated that he and Pierre (PB) identified areas around the resort and have installed the Deggy Security System as mentioned at the Annual General Meeting. They have installed these special stations at 27 locations throughout the property.

PB stated that we had added security staff and that we currently had 2 on board from 7:00pm – 6:00am all year. During peak months of November to January, 3 shifts were scheduled as follows: 6:00pm-1:00am; 8:00pm-3:00am and 10:00pm-6:00 am.

Linda Harper (LH) asked if the security staff were in uniform to which PB replied that they were and they also wore hats identifying themselves.

Sewage Treatment Plant:

PB stated that they had hired Mark Johnson from Beaches as a consultant to maintain the plant.

Landscaping:

PB stated that they had changed the landscaping between buildings 1 and 2 (as well as in the front of Building 3). LH commented that it was a noticeable improvement and that it looked very good. Elisabeth Flamant (EF) agreed that it did indeed look very nice.

Lighting:

LH stated that we had talked about the lighting deficiency for 3 years and would like it settled once and for all. SH explained that this was an ongoing problem that had been constantly addressed over the past several years. The lights the road at various times were the result of either damaged wires, transformers or light fixtures that would have ongoing periodic problems due to landscaping work, electrical surges or damage due to guest interaction. SP was to do a full evaluation of the site lighting of the walkways and make a recommendation on the most effective way to make this lighting more reliable taking into consideration that the majority of the components were now close to 10 years old. PB also highlighted that despite seeing that some areas had momentary problems, a great deal of the site lighting for the trees etc. was in fact replaced during the past 12 months. LH concurred but asked that in addition to the overview that the area between buildings one and two to be specifically looked at as the lighting in that area was not working at the present moment. SP agreed to follow up following the meeting.

SH stated that he would like to change the type of lighting in the parking lot to a metal halide type fixture that would provide a great deal more light than the existing fixtures. SH explained that the reason regular incandescent lighting was used in the parking lot was due to the fact that in the initial opening days of the property metal halide fixtures were used on the park side for higher lighting levels. At that time there were several complaints from guests and owners that the lighting was too bright and asked that it be reduced. SH felt however that, based on the increased risks associated with present security and crime levels, the functionality of lighting must outweigh the ambience of the lighting. It was agreed that on the park side perhaps the most appropriate use of the brighter lighting would be at the beginning of the park and near the entrance to the beach which should have a minimum impact on the condo units while greatly increasing the light levels at the entrance points to the park. In the main parking lot metal halide would be used throughout in order to increase the lighting levels and it was hoped that this would have a minimum impact on the condos as the parking lot predominantly only affected the rear entrance to the units, taking into account the serious incident that took place involving Terry Drummey in the parking lot whereby he was held at gunpoint by a would-be robber.

LH questioned why the lights would be on at the tennis courts at 10:00pm to which PB stated that they were on a timer and it probably was that guests had just finished using the courts. The timer that was presently installed worked as such that it had to be turned on when one wished to play tennis. It then allowed approximately 60 minutes of play and would shut off if not reset.

LH stated that the lights on the outside of building 2 were on during the day and that this could be because of a power surge and that they probably just needed to be reset. SP to investigate and to also look at recommendations that might help reduce the ongoing issues associated with the timers. The timers like all electronics were greatly affected by power outages, power surges and electrical storms which frequently took place on island. The use of surge protectors had been tried without great success due to the fact that the protectors would only help avoid a high level of voltage and did not protect against downward spikes in voltage that could also affect equipment.

SH stated that he did meet with Keith Burant (per the previous meeting) and they agreed that an outside security company was not an option due to dramatic increase in costs and continued lack of proper insurance. SH stated that he wanted the security personnel more visible and identifiable in respect to their uniforms to increase their recognition and appearance. SH would like to have procedural manuals and protocol training for the security officers. PB presented SH with a possible qualified person who had formally been affiliated with a US governmental agency.

LH asked if security was cost shared with the management company. SH clarified that the management company absorbed some of the security costs through payment of strata fees on all of its office retail, laundry and restaurant space. Despite this however SH felt that additional training and formalized procedures for the security guards was imperative in order to provide for increased safety as well as to mitigate the liability of the general condo owners. Therefore SH was willing to go outside of the scope of obligation of the management company and would like a proposal for a program to be initiated and updated quarterly and this to be a 50/50 cost share between the Strata Corp and Oceanside Marketing.

SH made the motion for the security proposal to be cost shared between the management company and the Strata Corp and Richard Long (RL) seconded the motion. A show of hands was requested and the motion unanimously approved.

SH made the motion to increase the levels of lighting, specially the parking lot lighting and at the beach area and to put different lighting at the front by the roadway and to proceed ASAP. RL seconded the motion. A show of hands was requested and the motion unanimously approved.

Increased Liability Insurance:

LH inquired as to the possibility of increased liability insurance for the resort. SH stated that Veer Pudaruth (VP) was working with Neville Bolton of United Reliance Insurance to obtain this information.

SH suggested a telephone conference call aside from this meeting to vote on the quote for the increase in liability insurance. SH stated that we were still waiting for a quote and

hopefully would have the same by the beginning of January. SH scheduled a conference call for January 12th at 10am with the Board to discuss this. VP to contact Rena Grant of Independent Insurance Advisors of the call. This would be timely as the renewal of the existing policy was Jan 31, 2007. VP would ensure that all quotes for such insurance are in place for the call.

Pool and Beach:

LH commented that while the pools themselves looked clean the service and cleanliness at the beach was very bad and EF agreed. SH stated that if it took additional resources to properly maintain and service this area, then the management company would be more than willing to cost share this to some degree. SH stated that the Pool and Beach function should be viewed as a service element first and then a maintenance function. SP recommended that these two functions be separated and that perhaps the Landscaping department be responsible for the cleaning portion, pool and beach for the service.

It was mutually agreed by all parties in attendance that the beach area was one of the key resources and attractions of the property. It was imperative that additional funding and training be put forward in this area.

Considerable time was spent reviewing the overall minutes from the Annual General meeting held earlier in the year. After detailed review SH asked if there were any further questions or comments in relation to the minutes. There being no further questions or comments SH asked for a motion to approve the minutes of the AGM.

Annual General Meeting reviewed and LH made the motion to accept the minutes. CW seconded the motion. A show of hands was requested and the motion was unanimously approved.

Income Statement for the 11 Months to 30 November 2006:

VP proceeded with a detailed line by line review of the income statement up to November 30, 2006 (copies of statements to be posted on the owner's website for general review).

Income:

Assessment income was as budgeted. Insurance amount was not known when 2006 budget was being reviewed, hence budgeted at 2005's level. However, for 2006 the property was appraised at almost twice the former amount, resulting in Property insurance premium increasingly accordingly. It should be noted that the 2005 insurance amount covered a 14 months period, namely from December 2004 to February 2006.

Income from Maintenance was \$23,894 lower than budget but almost in line with last year. Higher utilities consumption combined with higher electricity prices resulted in income from utilities being higher than budget and than last year.

Total Gross Income for the first 11 months of 2006 was \$1,347,602 compared to budget of \$1,182,126. Disregarding Property & Liability Insurance, this year's total income was \$5,405 lower than budget.

Payroll and Related Expenses

Total Payroll Expenses amounted to \$356,686, compared to budget of \$289,698. Landscaping, Pool and Beach and Common Area were all under budget and Maintenance was \$1,785 over budget. This section also included Payroll and its Related expenses of approximately \$50,000 for the property's security staff, which were budgeted as a line item under Maintenance department. Management had decided to keep security in-house after considering the negative financial and practical impact of outsourcing this department.

Payroll expense also included an amount of \$7,305 in housing and utilities expense for our Filipino staff. It should be noted that the staff was recruited after the approval of the budget; hence no provision was made for this expense in the budget.

Admin & General

Insurance amount was shown as an expense in this section for reporting purposes. Had this expense been excluded, total expenses for this department would have been \$225,210; \$5,698 lower than budget. This variance was mainly due to Hurricane Expenses being kept to a minimal.

Maintenance

Total expenses for this department was \$101,553; \$87,962 under budget. It should be noted that security expense of \$82,965 was budgeted under this department but actually charged to "Payroll" as explained above.

Grounds and Landscaping

Higher Treatment Plant supplies combined with an increase in Trash Removal price resulted in total expenses of \$76,937; \$11,237 higher than budget. The previous Trash Removal company did not renew its contract due to the derisory price of \$700 per month. The new contract price, negotiated with another company, constituted \$100 per load in addition to \$1200 per month for rental of 2 bins. This price was more in line with present market, though it came with a dramatic increase over last year.

Pool and Beach

While searching for any possible leaks, the Maintenance Manager switched around between swimming pool and Common Area, thus resulting in higher Swimming Pool water consumption. Common Area water expense was down by almost the same amount. Total expenses for Pool and Beach were \$61,467 compared to budget of \$59,300.

Common Area

Water expense was lower than budget and than last year, however higher Electricity prices resulted in total expenses for this department being 4,779 higher than budget at \$94,612.

Net Surplus

Net surplus for the first eleven months was \$40,258; \$3,086 higher than the planned budget of \$37,172.

Balance Sheet as at 30 November 2006

VP then proceeded to review all of the balance sheet accounts as of November 30, 2006.

Cash and Bank

Cash on hand totaling \$333,377 were made up of (1) the operating bank account of \$208,692 and (2) a term deposit account set up to reflect the unused portion of the Capital Assessment of \$124,686.

Accounts Receivable

Total Accounts Receivable of \$3,198 included (1) \$1,750 receivable from employees for their portion of work permits, (2) \$1,500 in cash for emergencies during hurricanes and (3) a credit of \$52 for medical expense deducted from an employee, but not yet paid to the insurance company as of month end. The \$1,500 cash was deposited into the bank in December, after the hurricane season.

Inventory

Total inventory amounted to \$141,687. This amount was based on physical stock takes at the end of November 2006.

Prepaid Expenses

\$9,500 security deposit to Provo Power Company and \$7,068 representing 50% deposit for fire alarm equipment in building 3 made up a total prepayment of \$16,568.

Inter-Company Accounts

The Strata Association owed the management company (Oceanside Marketing Ltd) and The Palms Strata Association \$13,871 and \$3,802 respectively, whereas \$2,489 was owed by The Palms Management company.

Accounts Payable

Total Liabilities of \$99,364 were made up as follows:

Trade Payables	\$71,061
Funds collected for repatriation of Philippines staff	\$ 1,000
National Insurance payable	\$ 3,154
Accruals	\$26,639
Service charge paid out, but not yet collected from resort	(2,489)

Equity

This portion included \$124,686 of unused Capital Expenditure assessment, and \$255,597 in surplus generated up to November 2006.

There being no further questions with regards to the balance sheet, the review was concluded.

SH stated that these Statements were as clean as he has ever seen them over the past 10 years. They were well presented and the expenditures well managed. Congratulations were given to VP and PB.

Proforma Budget:

VP circulated copies of the budget for 2007 and carried out a detailed line by line review of the budget items including all sources of income, and Payroll, Maintenance, Pool and Beach, Grounds and Common Area expenses.

The draft of the budget was presented taking into account any increased expenditures but maintaining the same amount of assessment income to show the initial projected bottom line. The purpose of this was to enable the Board decide by how much the strata fees needed to be increased to cope with increasing costs. The Draft budget showed a deficit in the amount of approximately \$75,000.

Much of the increase related to payroll, security, and dramatically increased trash removal costs. In addition to this the management fee, which had historically been voluntarily reduced, was shown at the normal contracted rate of 17%. While the management fee had been charged at its full normal value, SH indicated that the management company as a sign of good faith was willing to contribute back \$50,000 to be reallocated to a specific capital works project. The project of preference by SH was for the funds to be used in the upgrading or replacement of the main walkway areas throughout the resort. This voluntary contribution was shown in the income section and then later deducted out to the capital expenditure fund.

SH mentioned he felt that only a 10% increase in payroll was too tight. Darren Law (DL) and SP to meet to discuss if additional resources were needed.

SH stated that he was willing to increase the water sports contribution from Oceanside Marketing to \$18,000 from \$16,500.

Detailed discussions took place in relation to the appropriate amount of increase of the strata fees. It appeared that a 10% increase in strata fees was needed to meet budget expenditures. A comparative schedule was provided by VP which showed the strata fees for several competitive properties throughout Grace Bay. Presently the Sands strata fees equaled \$6.09 per square foot per year before insurance and capital assessments. At this particular time this was the lowest of all strata fees which ranged anywhere from \$6.09 to

a high of \$9.45 before insurance and capital assessments. It was noted that even with an increase of 10% in the present strata fees the Sands would still have one of the lowest levels of assessments for properties polled on Grace Bay. As an increase in the assessment income would also bring a proportionate increase in Management Fee, SH decided to increase the Capex contribution from Oceanside Marketing from \$50,000 to \$60,000.

LH questioned whether a 10% increase in strata fees was a trend or did we think it would get back down to 5-6% increase as in previous years. SH stated that he would be surprised if it were that high next year as the major factors in this increase, would already have been addressed, unless there were other unknowns.

VP concluded a comprehensive question-and-answer period in relation to all of the various budget expenditure items. SH asked if there were any further questions in relation to the proposed budget and suggested that motion be made to increase the strata fees by 10% in order to meet with the current level of expenditures expected in the upcoming year.

LH made the motion to accept the 2007 Budget as edited and to increase the Strata fees by 10% to balance the budget. CW seconded the motion and a show of hands was requested and unanimously approved.

CAPEX Analysis:

VP presented the 20 year capital expenditure estimated schedule that had already been reviewed by the board last year. He again reiterated that the schedule was not meant to be an exact projection for the timing or detailed costs of the related expenditures but rather to be used as a guideline in trying to determine what the approximate future needs might be for the property for capital related projects over the following 20 years.

A detailed discussion in regards to the appropriate amount of capital assessments for the upcoming year ensued. The assessment for last year at \$1.50 per square foot yielded \$201,000. Unused portion of this assessment was being used to build up a reserve to cater for the replacement or repairs of major items in the long-term.

It was felt that the annualized actual assessment required over 20 year would more closely approximate half a million dollars per year for the entire facility. LH stated that while a properly funded reserve and capital expenditure fund was essential she did have concerns over assessing a larger capital expenditure assessment considering that the operating budget would also increase by 10%.

EF highlighted the while she supported the capital expenditure assessment she wanted to clarify that any unused or unapproved expenditures would be held in reserve fund for future benefit. VP confirmed this fact that this is the present practice and would continue in the future.

It was agreed that an assessment of \$1.50 per square foot, like last year, would be adequate for the upcoming year. VP emphasized that this was not a trend setting amount, and that future assessments would need to be determined per a needs basis.

LH made the motion to accept the \$1.50 per sq. ft CAPEX Budget Fee and approve the proposed budget as submitted and any unexpended money to go to the Reserve. LH was seconded by CW and a show of hands was requested. The motion was unanimously approved.

Following the discussion of the capital expenditure fund, SH raised the issue regarding the management company's ability to carry out the necessary works throughout the property while the resort was in operation. SH confirmed that the management company planned to carry out major changes and improvements in the lobby and office areas throughout the property. LH also mentioned that she felt that the washrooms located at Hemmingway's were in need of renovation and improvement. SH concurred with this and agreed that the management company at its expense would renovate the washrooms.

In addition, as mentioned earlier in the meeting, there was a desire to do major renovations not only to the inside of the units as was presently being carried out in building three but to also do major works to lighting and walkways throughout the property. The only way possible to carry out these works was to close the property for a period of time.

Based on this SH proposed that the property be closed for proximally six weeks beginning on the first of September 2007. All those in attendance concurred in agreement with this proposal. Because this was not a strata related decision it did not require a formal motion or vote. It was unanimously agreed however that the six-week closure would be appropriate and this would be the best time of year to carry out the works in order to minimize the impact on owners' revenue.

At 1:35pm LH made the motion to adjourn the meeting. The Annual General Meeting would be on June 21, 2007 and the next Strata Corp Board of Directors Meeting would be held on December 13, 2007. It was decided to set perpetual dates for these meetings. The AGM would be held on the 3rd Thursday in June and the BOD meetings would be held on the 2nd Thursday in December. SH seconded the motion and a show of hands was requested and it was unanimously approved.

Meeting adjourned.