

Strata #25 Annual Board Meeting
Thursday, December 13, 2007
The Sands at Grace Bay

The Annual Strata Corp Board Meeting was held December 13, 2007, at The Sands at Grace Bay Hospitality Suite.

In Attendance:

Board Members:

Stan Hartling, Chairman
Elisabeth Flamant
Linda Harper
Craig White

The Sands:

Darren Law, Vice President Operations & Asset Manager
Pierre, Beswick, General Manager
Simon Parr, Director of Engineering and Special Projects
Larry Somers, Financial Controller
Joan Hagan, Director of Owner Relations

Owners:

Les & Rhoda Turk

The meeting began with a welcome from the Chairman, Stan Hartling (SH). SH welcomed our new Financial Controller, Larry Somers (LS) who will report to Veer Pudaruth (VP) upon his return from his leave of absence.

SH acknowledged the missing presence of one of our esteemed Board Members, Richard Long who passed away a few months ago. SH stated that Richard was one of our original Board Members and never missed a meeting in all his years of service. He was an extremely respected member of the Board and will be greatly missed.

SH explained that for the first time we have two owners (Les & Rhoda Turk) who are not members of the Board in attendance for the meeting and explained the process of the Board Meeting. They had asked to attend the meeting as they were in-residence over this period and merely wished to witness the meeting and SH said that the Board was very pleased to accommodate the request and completely supported full transparency.

Review of the Minutes from the Annual General Meeting:

SH asked everyone if they have reviewed the minutes from the Annual General Meeting held last June and if anyone had any questions or comments. Elisabeth Flamant (EF) noted the omission of her name from the list of attendees which will be corrected.

As there were no questions or comments regarding the minutes, Linda Harper (LH) made the motion to approve the minutes and SH seconded the motion. A show of hands was requested and unanimously approved the motion.

SH introduced LS to the Board.

Income Statement – January 1 to October 31, 2007:

LS distributed the Income Statement.

LS commented that the utilities are down due to the closure of the resort in September.

Payroll Related expenses are over budget due is in NIS due to the taxability of service charge. This expense has been accounted for in the 2008 budget. Also higher than budgeted were the recruitment and work permit expenses. This is primarily due to the fact that LS and Simon Parr's (SP) work permits were reclassified and were increased from \$2500 per year to \$7000 per year.

Maintenance expenses are below budget by \$13,000 as SP has done a very good job in controlling them.

However, the Treatment Plant Power expense was considerably higher than budget. In 2006, the pumps for the Plant failed and the new pumps installed use twice as much power as the previous ones. At the time the budget for 2007 was created, it was not anticipated that the increase in power consumption would be so high. Pierre Beswick (PB) is currently looking for a solution to this – one possibility is the installation of windmills to generate the airation instead of power.

LH commented that as we all know there is a very strong green movement in the United States at the moment and she feels that our guests/clients would appreciate such a movement in this direction.

SH stated that we will look at alternative ways to process our waste and will report back to the Board their findings.

LH commented that although the Common Area Water Expense is only \$3000 above budget it relates to a 25% increase above budget. PB stated that this overage is due to the lack of rain we experienced. SP stated that when the pools were drained for repair, we were able to store the drained water as such the pools were repaired one by one.

LH questioned the Hot Tub – Propane expense as it was an expense that was not budgeted. PB stated the power previously used to operate the hot tub was electricity but switched to gas as it is more efficient and reliable.

Balance Sheet – January 1 to October 31, 2007

SH questioned the negative service charge although the amount was minor it should not show a negative balance. LS to investigate and advise.

LH made the motion to approve the financial statements including the income statement and balance sheet. CW seconded the motion. A show of hands was requested and unanimously approved the motion.

SH thanked LS for all his efforts in preparing these reports as he has only been here a short while and did not have much handover time with VP before his departure.

2008 Proforma Budget

SP commented that the Maintenance Income budgeted is aggressive, but feels it is achievable as the cost to repair various items in the units will be more expensive due to the quality of the renovated units. Pierre Beswick (PB) stated that this income also includes light bulbs, batteries and a/c filter replacements and those costs increase annually as well.

SP stated that the increase in Landscaping Payroll is due to more staff added. SH stated that he would like to address a staffing issue relating to this department later in the meeting.

LH questioned the quality and current condition of the landscaping. SH stated that the renovation did take a toll on the landscaping with people having to walk along the grass when the pathways were being done, etc.

LH commented that the Security staff look very good in their new uniforms and is much improved.

PB stated that the entire staff, including management, went through an extensive training program conducted by the American Hotel/Motel Association. LH asked if it really had an impact on the staff. PB stated that the biggest impact has been on the Supervisors. Other non-Sands staff at the resort requested to participate as well such as Caroline from Hemmingway's, and The Tour Desk and Convenience Store staff.

DL explained the training process and the organization who conducted the program.

LH asked what was the strategy for follow up on the training. PB explained that there will be regular appraisals conducted and continual follow up training.

PB explained that the increase in Housing and Utilities was due to the fact that we have brought in 2 more staff members from the Philippines which cost the resort \$650 per month for rent and \$500 for the temporary work permit.

SH stated that the amount budgeted for insurance is not a true number as we are using last year's figures because we have not yet had a response from the insurance company despite many attempts for this information.

CW questioned the fact that the power costs budgeted were basically the same as previous years. SH suggested checking the costs in March and readdress the budget at that time and also suggested possibly pulling the utilities out of the operating expenses as the cost fluctuations are not controllable and can skew the rest of the operating results.

SH would like to wait and look at the power costs later. CW agreed to revisit and adjust the amount budgeted at the Annual General Meeting in June.

SH stated that he has purchased approximately \$50,000 in beach equipment for another project and is willing to rent it to The Sands at a very low cost in order to improve the cleanliness of the beach.

SH asked SP if he sees a trend in replacing his local staff with Filipino staff. SH stated that there is not an immediate plan to replace the landscaper but asked that they complete proper disciplinary documentation.

CW made a motion to accept the 2008 Proforma Budget and EF seconded the motion.

As a recap, the budget assessment of \$896,000 will be increased by \$75,000 to zero balance the 2008 budget with the provision to review the budget partway through the year for a potential increase in the power cost based on the management fee approval as agreed will remain static at \$235,000, therefore no management fee increases included in the assessment of \$65,000.

A show of hands was requested and unanimously approved.

CAPEX Analysis

SP stated that he wanted to take extra time to discuss the works completed at the resort during the renovation to adequately show in depth what has been accomplished.

SP provided a very detailed and lengthy slide show presentation including the condition of the resort and that after the renovation.

Some of the items shown were the rust on the pool deck due to the rusting rebar underneath the cement; resurfacing of the pool (he again reminded the Board that they were able to save \$7000 in water expense by storing the drained water from the pools); the pathways, Hemmingway's deck; Lobby, installing proper drainage by building 5; pathway lighting, etc.

Prior to commencing the work, bids were requested from various contractors on island and the cost to do the pools/canals, pathways, teak deck around the pools and bridges, resort lighting, and landscaping totaled approximately \$553,000.

LH asked if there was a guarantee for the "diamond brite" substance used on the pools. SP stated that by the time it arrives on the island, there is no longer a guarantee, which is very typical of things brought on to the island. SH stated that the company used to do this is extremely reliable and SH has used him several times in the past but that it was difficult to get a guarantee.

SH stated that he would like better signage for the washroom located by Building 1.

SP again reminded everyone that SH was able to obtain a 50% discount in the cost of duty from government on the items brought in for this renovation including interior renovations as well as common area renovations.

CW asked if all the pathways were completed and SP responded that they were in fact not completed entirely as yet. He further commented that they did more than they originally had planned but realize that more areas need to be done.

SH stated that we should look at completing the rest of the pathway areas in the next year even though this was not part of the original plan ,as the new walkways look markedly different from the old walkways and the contrast is much stronger than anticipated.

SP stated that although we had a deficit of \$127,000 in the CAPEX Budget, we only spent \$382,000 versus \$553,000 third party quotes by completing the work using in-house staff compared to outside contractors.

LH reminded everyone not to borrow from future years to cover these expenses.

SH stated that this year there was an unusual amount spent on CAPEX. SH suggested possibly creating a second reserve as in the case at the Palms and keep the CAPEX Budget where it currently is.

EF asked if we should close again next September. SH stated that it is extremely expensive to do so. Both EF and LH commented that it will take at least 2 weeks to fully complete the projects needed. SH suggested perhaps offering special discounted rates for guests and letting them know that there will be works being conducted around the resort with some disturbance, but discounting their rates in advance.

LH commented that she does like the new pathway lights, but that she still sees some of the old ones. SP stated that they needed more lights than were originally ordered so have continued to use some of the old ones until they arrive. SH suggested coloring the old lights the same as the new ones.

SP stated that the total amount of expenditures since the last reporting is \$256,000 which \$368,000 had been approved.

CW made the motion to accept the total expenditures and LH seconded the motion. A show of hands was requested and unanimously approved.

SH asked for the motion to approve the upcoming CAPEX and he feels that there is not a need to increase it and keep at the previous year's rate. CW made the motion to accept and EF seconded the motion. A show of hands was requested and unanimously approved.

There will be a residual amount of funds of approximately \$75,000 left in the CAPEX after taking care of the current year's deficit and SH asked SP what he

felt were essential expenses. SP stated that there was a great need for a new safety boat. SP stated that we currently have a "friendship" agreement with the Somerset. SH inquired as to whether they had asked us to sign a liability waiver to which he replied that they had not. SP stated that maintenance of the white safety buoys are also the resorts responsibility and are a CAPEX item.

CW requested installing a handrail from the beach up to Hemmingway's. SH agreed. SP to create an appropriate railing.

LH stated that maid's closet doors need to be changed out. SP stated that they have been replacing them as needed, but not all have been done yet. SH feels that they all should be done and stated that they do not need to be galvanized doors but that it might be better to look for a fiberglass door alternative. LH suggested replacing them building by building. SH asked SP to make an allocation of \$10,000 and replace the worst doors first as there is not sufficient budget to do all the doors this year.

SH stated that the current contribution to pool and beach from the Management Company is \$15,000. If it is decided to purchase a safety boat, he will increase the contribution to \$20,000 otherwise he will increase it to \$17,000 per year if the Sands is able to negotiate, sharing agreement with the Somerset rather than having to buy a new rescue boat. SH asked LH if she would like him to approach government to see if the resort can use a jet ski for emergency purposes rather than a boat which would be less expensive and easier to maintain.

Any New Business

LH asked how the Security Department is working now. SP stated that the training has really helped and the Supervisors are really taking a Supervisory approach.

SH reminded everyone of the issue of replacing Board Member Richard Long. He stated that he received an email from Judy Long stating that their son would like to assume his role on the Board until the next election.

LH stated that the Board Meetings are in December and that is the meeting where any budget items are voted upon.

SH further commented that while they all appreciate this very much, there isn't another meeting where any Strata Corp issues would be voted on until the Annual General Meeting in June, but this gesture is further indicative of the type of generous family the Longs are.

SH stated that we will send out a notice to see who might like to participate on the Board for the upcoming year.

SH stated that as there were no further Strata Corp items to discuss and after asking if there were any more outstanding items that the board was to discuss the meeting was officially adjourned 2:30pm.