

**Strata #25 Annual General Meeting  
Thursday, June 19, 2008  
The Sands**

The Annual General Meeting was held June 19, 2008 at The Sands, Hospitality Suite.

**In attendance:**

Owners:

Craig White  
Linda Harper & Robert Demers  
Norm & Dolores Rogers  
Gary Bateman  
Barbara Marut  
Elisabeth Flamant  
Jim & Corinne Labagnara  
Jean & Jack Cutrone  
B. Virgil (representing, Paul McAteer, owner)

The Sands:

Stan Hartling, CEO  
Darren Law, Managing Director  
Joan Hagan, Director of Owner Relations  
Veer Pudaruth, Financial Controller  
Pierre Beswick, General Manager  
Marc Romkey, Corporate Asset Manager

Stan Hartling (SH) opened the meeting at 8:45am and thanked everyone for attending. SH explained the process of the Annual General Meeting and that only Strata Corp items will be discussed in the formal section of the meeting. Any other items will be discussed after the formal close of the meeting.

SH asked Joan Hagan (JH) to confirm that there is a quorum to conduct the meeting to which there was.

**Income Statement Jan-Dec 2007**

Veer Pudaruth (VP) began by reviewing the various forms of Strata Revenue as per the Income statement distributed. He also clarified that the management company voluntarily contributed \$60,000 in 2007 to the Capital Reserve which was shown as a new line item.

Payroll was over budget by \$30,000. VP explained that this was due to the recruitment of two staff members from the Philippines; the work permits for the two Filipino staff members and Director of Engineering; employee relations and new staff uniforms following the renovation of the resort.

Grounds & Landscaping was over budget due to the increase in size of the pump for the Sewage Treatment Plant and the energy consumed. This was a variance that was known would arise and was discussed.

SH explained how the expenses to operate the resort are allocated. There are three categories: Management Company expenses, Demised space (individual Units), and Common Areas. SH stated that the Management Company has Strata Lots just as owners do. The Management Company Strata Lots are the Laundry, Administrative Offices, Lobby, and Hemmingway's. The Management Company pays Capital Assessments as do individual owners, for all of the 4 Strata Lots it owns.

SH stated that the Management Company contributes \$18,000 annually to the Pool and Beach. He continued to state that the income generated from work orders goes back to the owners as income. Components of the Strata Lot fees are the billing of work orders, paying the invoices for the Strata Corp expenses, etc. We do not subcontract out the Strata Corp areas such as landscaping, to third parties. We completely manage the crews which is a substantial savings to the Strata Corp. Norm Rogers (NR) asked how much savings there was in doing the painting with our own staff. PB stated that there was considerable savings as our staff is \$6.50 per hour versus an outside contractor who would be at least \$11.00 per hour and the general appearance of the buildings looks better because of the availability of having someone on site and readily available to do the work. Jack Cutrone (JC) agreed.

SH asked if anyone had any further questions about the 2007 Income Statement and that the only major overage was due to the cost of power for the Sewage Treatment Plant.

Gary Bateman (GB) commented on the cost of recruitment and that the Filipino Pool and Beach staff and middle line staff helps to elevate the level of the services provided to our guests.

Jim Labagnara asked if our accounting principals were that  $Assets = Liability + Equity$ . SH explained that it is and that the Assets are strictly Strata Corp Assets.

### **Balance Sheet ending December 31, 2007**

VP then explained the Balance Sheet ending December 31, 2007. SH stated that the components of the Cash listed are: a portion is actual cash; and term deposits. The Capital Assessments in 2009 will cover any negative Capex Reserve shown at the present time from the major renovation works.

### **Capital Expenditure**

VP explained that the negative amount shown is actually income and the positive amount shown is an expense.

PB explained that the expense for the walkways is higher than planned because once we began we realized how many more areas needed to be done in addition to the ones originally planned.

PB stated that the cost of the electrical installation and wiring was for the new generator and pump noise that would keep our guests up and needed to be redone.

He also had increased the amount of beach furniture as it was badly needed. The hot tub was completely redone as well.

SH stated that these expenses were described in detail by Simon Parr at the Strata Corp Board Meeting in December. This project was a challenging project to manage and although allowed, the Management Company has never taken the 17% Management Fee on any of the works that it overseen. This means a collective savings to the owners of \$86,500.

SH explained that they were able to save over \$100,000 on the pool areas over the original quote received and that every penny was truly watched. SH reminded everyone that the September closure was very expensive to everyone involved.

Darren Law (DL) commented that the market has responded very favorably to what we have done to improve the resort and that the plan has truly fallen in to place and we will see the results in the upcoming months.

Linda Harper (LH) made the motion to approve the Financial Statements and Craig White (CW) seconded the motion. A show of hands unanimously approved this motion.

### **Income Statement January to April 2008:**

SH explained the Special Assessment- Insurance. And that we were able to save 22% this year as the cost of the insurance went from \$1.22 to \$.85 this year.

GB asked why there were so many Pool repairs to which PB replied that this was for normal operating repairs to the pumps which have a short life span due to the environmental conditions and various drops in voltage

### **Balance Sheet January to April 2008**

VP explained the Balance Sheet. SH stated that it is better than last year. He then asked if there were any questions regarding the Balance Sheet, which there were not.

### **Capital Expenditure**

PB explained the Capital Expenditure and that we have \$18,000 in reserve.

CW asked if the Management Company purchased additional inventory for the units. SH explained that we had. SH stated that he was able to obtain a reduction in the usual 33% import duty to 16% which was a substantial savings for the owners.

SH asked if there were any questions and stated that the Board has been diligent in compiling the reserve.

LH stated that 3 years ago she asked for the life span of things and felt like having the assessment on a regular basis instead of getting hit with one big assessment.

SH stated that VP & PB did a great job of compiling the numbers and they put a lot of work in to it.

CW asked what we can do to watch excess power consumption i.e. lights on the building during the day. PB said this was due to power surges and outages. SH asked for a procedure on how to monitor this.

NR inquired as to why photocells do not work. SH stated that we use photocells for mandatory lighting and the lights on the trees are on trees but if we were to use them on the pathways, they would get a lot of build up on the lenses from

the irrigation system and it would affect them. SH asked PB to review the lighting and to make it a part of his daily meetings to see what we can do.

LH asked if we see a trend in regards to the maintenance income and should we be prepared at the end of the year and because the renovation is done and we will not see as much income in the Strata Corp for work orders. PB stated that in 2007 we had four buildings complete but we still had a lot of maintenance work to do.

JL asked if the insurance special assessment is annualized and SH replied that it is. JL asked if it is possible to be self-insured. SH state that he was not sure if it was allowed in the by-laws. The actual ordinance states that you are not allowed a deductible if read to the full written extend of the language. Of course this is not possible and the policy does have an approx 5% deductible. Because the Ordinance says you must be fully ensured he is not sure if we can do it technically. He has hired an outside company to assist with the coverage as they are able to get better rates and they are able to negotiate better because of the two properties.

JL stated that his company was able to save \$15 million and will get the details and provide them to SH.

SH asked VP about the power expense. VP responded that there has been a 14% fuel surcharge increase since January.

LH asked if the Sewage Treatment Plant increase is due to occupancy. PB stated that it was and that he has had to bring a special engineer twice for problems.

LH asked why work permits were up last year and down this year. PB stated that it is related to when the dates of renewal fall. He further added that we are only paying 50% for the permits when others are paying 100%.

NR commented that there are not enough umbrellas. PB stated that Hemmingway's donated their green ones when they received the new ones as part of their renovation.

### **New Business:**

CW commented on challenges with the phone system. SH stated that the Management Company paid over \$150,000 for the change over to Voice Over IP and we have ordered a new switch which will separate us from the Regent Palms and will solve the problems. He added that the installation of this system also included added wireless capabilities in the units. DL stated that the installation

will be done in August. LH suggested putting directions for use of the system in the units.

PB stated that the DECR went up and down the beach and inventoried all the items on the beach i.e. loungers, Hoby Cats, palapas, boats, paths, etc – basically anything that extends off the property. The Department has created an assessment and the resorts need a license to have anything on the beach. He further added that the invoice is due immediately. This will cost the resort \$24,000 annually. LH suggested using that as the excuse to ask non-guests not to utilize our loungers. SH feels the charge should be lower. SH asked PB to find out exactly what these funds will be used for. Dolores Rogers (DR) asked if it was more cost effective to replace the palapas with umbrellas? JL stated that the palapas were more aesthetically pleasing. The majority of those present wants to keep the palapas but possibly upgrade them.

CW stated that the Pool and Beach area is much better and JC agreed and added that even their attitude is better. LH asked if the locked chairs that are in the public access can be moved.

DR asked if the foot bath can be raised for sanitary purposes. PB to look at. LH asked if there can be new signs in Spanish on the beach to aid non-English speaking guests. SH agreed.

SH asked how clean the beach is? He stated that the Palms has a beach cleaning machine. JC stated that the beach looks very clean and professional at the Palms. SH suggested that we cost share the machine with the Palms. The cost to obtain one of our own is approximately \$9000 and the attachment is approximately \$3000. PB to investigate.

SH stated that some owners not in the rental program are delinquent in their accounts. The Management Company acts to collect the funds on behalf of the Strata Corp to collect the funds from owners i.e. Strata fees, utilities, insurance. SH would like a formal system for those accounts that go beyond 30/60/90 days that would benefit everyone. His suggestion is that an internal policy be created for delinquent accounts and those accounts that go beyond 60 days that the Board be advised and for those that go beyond 90 days that the Board decides how to collect the delinquent funds. SH added that 10% of the owners are not in the rental program. He reminded everyone that a unit that goes out of the rental program can only re-enter at a 50/50 revenue split. SH stated that it is important that we keep the integrity of the property and the program. SH would like to propose ways to reward owners that remain in the rental program and to make it a disadvantage for those not in the program as this impacts all the owners.

JC commented on the problems this has caused at Crystal Bay with owners not in the rental program. There is a lot of wear and tear on the units when you have long term tenants. CW and LH agreed. SH asked the Board to please think and devise ways this can be done and discuss at the Board Meeting in December. EF commented that there is really only one unit here that is in that condition. SH stated that additionally these tenants have children at local schools and they invite their friends over and use the facilities that are paid for by the Strata Corp. EF stated that there are people that also use Hemmingway's and then stay all day at the pool and beach. SH agreed with this comment. JC stated that there is a place in North Carolina where 10% were residents and voted to incorporate the town and everyone has increased taxes and that this type of thing is an example of how having only a small % of full time residents can completely change the composition of the property when the majority of the owners are not here the rest of the time. This has lead to several problems in other properties. SH asked how we can create policies to prevent this.

NR stated that when he first looked at properties here, many restricted owner usage. He now stays 3 months at the resort at times. SH said that was different because they have an interest in the property and not an absentee owner that just rents long terms and never sees the unit or the tenant.

JL asked what building the unit in discussion is in. SH stated that it is Building 1. DR stated that there is one in Building 4 that is also rented out. EF stated that any policy would have to apply to all units not in the rental program and that none should be "grandfathered". SH stated that these types of arrangements are costing the Strata Corp money and affecting the other guests' experience. LH would like to table the discussion until the Board Meeting in December. SH stated that we will offer suggestions that may be adopted in the upcoming Board Meeting.

LH suggested reminders for the owners to make their reservations for the meetings. Additionally it was decided several years ago that because occupancy was slower in June, the meetings were to be held then. It was decided that the meeting would not be moved to September as it was too close to the Board Meeting in December.

SH stated that in the past the Board Members were reimbursed \$500 to attend the meetings for travel related costs. Now that the costs are increasing substantially, he would to increase the amount. JL asked if it was a conflict of interest. DL stated that this policy has worked in other corporations has worked at. SH feels that is merely a sense of fair play. SH made the motion that effective as of this meeting airfare will be reimbursed at a direct cost up to \$800. CW and LH agreed and a show of hands unanimously approved this motion.

**Board Member Election:**

Ballots were distributed to those owners in attendance and the existing Board were given Ballots to vote by those assigned in the proxies. The Ballots were then tabulated and the new Board Members were announced.

The new Strata Corp Board consists of Dolores Rogers, Stan Hartling, Linda Harper, Craig White and Judy Long.

SH asked if any of the other Board Members would like to serve as Chairman of the Strata Corp. It was suggested that possibly Dolores Rogers should serve. A vote was taken and unanimously approved that Dolores Rogers is now the Chairperson of the Sands Strata Corp Board.

At 1:35pm, SH moved to adjourn the meeting.