

**Strata #25 Annual General Meeting
Thursday, June 18, 2009
The Sands**

The Annual General Meeting was held June 18, 2009 at The Sands, Hospitality Suite.

In attendance:

Board Members:

Dolores Rogers, Chairperson
Linda Harper
Craig White
Stan Hartling
Judy Long

Owners:

Corinne LaBagnara
Kent & Elizabeth Hassell
Stanley & Liz Sadowski
Miles Hamm
Dan & Maureen Kelly
Brian & Allison Peck
Norm Rogers
Aisha Naiss on behalf of Blackhawk Ltd.

The Sands:

Veer Pudaruth, Chief Financial Officer
Pierre Beswick, General Manager
Joan Hagan, Director of Owner Relations

Dolores Rogers (DR), Chairperson, opened the meeting at 8:40am.

Establishment of Quorum:

DR asked if there was in fact a Quorum. Joan Hagan (JH) stated that there was a quorum and so the Strata Corp Meeting could be held. JH further explained what the Quorum actually is and what it is used for. It was explained that without a Quorum the Strata Corp the Annual General Meeting cannot be held and is moved forward to exactly 7 days at the same time and whoever is present at the meeting makes the Quorum.

Review of Income Statement January to December 2008

Veer Pudaruth (VP) stated that the total income was \$1,234,000 versus \$1,241,000 budgeted. VP explained that the variance in the income is from the reduction of maintenance work orders.

Payroll and payroll related expenses was under budget by approximately \$50,000 due to lower maintenance payroll. They had budgeted for one maintenance position that was not filled.

A&G: VP explained that the Special Assessment – Insurance line items is the exact amount of the Insurance Paid as the amount of the assessment is exactly what is paid to the insurance company.

Grounds and Landscaping: This is over budget by \$10,000 due to pumps that needed to be changed and repair to the blower.

Net deficit for 2008 was \$458.00.

VP asked if there were any questions.

Miles Hamm (MH) asked VP how power consumption looks for this year. VP stated that fuel factor is lower so the cost should be lower.

Stan Hartling (SH) gave a quick overview of what exactly the Strata Corp areas are compared to those areas of the Management Company. The Strata Corp consists of the walkways, common areas, sewage treatment plant, etc. – basically the areas that would be here regardless if this was a condo complex only. The Management Company is generally responsible for those areas that as soon as the complex becomes a condo/hotel i.e. housekeeper, bellman, front desk need to be present.

The Management Company does actually own certain areas of the resort i.e. Hemmingway's, Convenience Store, Lobby. SH further explained that the Management Company pays assessments for these areas just as do owners.

SH explained that there is one big electrical meter at front of the resort and all units have sub meters that feed off of that meter. The electrical charge is marked up for two reasons: One reason is to make up for the line loss which is about 5-6% and the other reason is to recover the administrative costs associated. All electrical billing are credited to the Strata Corp.

VP explained that we do offer free non-motorized water sports for the owners and guests and that the Management Company does contribute to the Water Sports expense.

VP again asked for questions to which there were none.

Balance Sheet:

VP explained the Balance Sheet. The Total Liabilities and Equity = \$351,888.

VP asked if there were any questions to which there were none.

Capital Expenditure for 2008

Pierre Beswick (PB) stated that beginning balance was \$52,000. We normally have \$200,000 to spend as a result of the Annual Capital Assessment, but due to the balance brought forward from 2007, this amount was reduced.

The Capital Expenditures for 2008 included new furniture around the pool, refinishing of the pool decks, walkways to foot path, a new skiff which was \$12,000 and new signage throughout the property. These expenditures resulted in a \$23,000 deficit.

MH asked where the skiff is at the moment. PB stated that it is currently located in the parking lot, but will be placed on the beach today. There were some minor adjustments that needed to be completed on it.

PB asked if there were any questions to which there were none.

Hurricane Expenses 2008

PB stated that there were two hurricanes in 2008: Hannah which came twice and Ike one week after that. Although there was some damage to the resort, overall we fared very well.

At the Board Meeting in December 2008, the Board approved a \$0.87 per square foot assessment to cover the Strata Corp costs associated to restore the resort. The amount spent from October 2008 to December 2008 was \$79,045.85. This included screen and frame repairs and some minor cosmetic roof repair.

Linda Harper (LH) stated that the Board asked to make the assessment higher than originally forecasted as we didn't have a clear vision as to the exact cost of the repairs. PB stated there are more expenses in 2009 as two units needed some additional repairs related to the hurricanes.

LH asked what would be his estimate as to the final cost for 2009. PB stated that we will have spent \$21,000 as of the end of May, resulting in approximately \$6,000 left of the assessment. LH reiterated that any funds left over from the assessment would go back to CAPEX so the \$23,000 over budget will be lower. PB confirmed this.

LH made motion to accept the 2008 financials. Craig White (CW) seconded the motion. A show of hands was requested and unanimously approved the motion.

January to May 2009 Financial Statements:

VP stated that the Management contribution to water sports equipment increased by \$2000 this year.

VP stated that this was due to the fact that the Management Company had promised that if the resort purchased the Kubota tractor, the Management Company would increase their contribution. VP asked Norm Rogers (NR) to explain what the Kubota is used for. NR explained that it is used to clean up beach, which includes sea grass, sand flies, garbage, etc.

CW asked what it was like in December when there is heavier beach traffic and it is windier, so there is more debris. PB replied that it did do a very good job at keeping the beach clean.

LH asked who is responsible for cleaning up the beach at night. The pool and beach staff clean at approximately 5pm, but this time of year with daylight much longer, guests are using the beach until early evening and leaving it a mess for guests in the morning. CL people staying late as lighter at night. LH suggested that the staff clean the area at 5pm and again later. PB to instruct staff to make sure beach is clean upon departure every evening.

Payroll and Related

VP stated that there have been considerable savings in payroll primarily due to the lack of pay increases and positions not being refilled.

A&G

VP stated that the Insurance cost increased in 2009 over 2008 due to the hurricanes. The cost was \$386,000 in 2008 compared to \$443,000 in 2009.

VP explained that the Legal Fees expense was due to an owner who was in arrears in his account and was selling his unit and we needed legal clarification as to how to proceed to recoup the outstanding balance that was due to the resort.

Grounds & Landscaping

Treatment plant power expense was budgeted for \$25,000 but actually is \$20,000 due to the reduction in the fuel factor.

The total Net Deficit was approximately \$20,000 compared to the budget of \$36,000.

VP stated that we were under budget in expenses by \$16,000 due to payroll savings and reduction of fuel surcharge.

MH asked how many units are not in rental program. SH stated that less than 10% are not in the rental program and that we have really worked hard over the past years to encourage owners to remain in the program, but some have long term tenants.

Balance Sheet:

VP stated that the Cash balance is \$135,000; Total Assets are \$445,000; Total Liabilities are \$106,000; Total Equity is \$338,000. Total Liabilities and Equity are \$445,000.

2009 Capex:

PB stated that the Common Area expense was primarily for the enhancement of the gym. This included new machines, room painted, new televisions, medicine balls, etc.

PB stated that the Strata Corp spent approximately \$15,000 while the Management Company has paid \$7500.

Dan Kelly (DK) asked if there was a discoloration problem with the walkways. PB stated that some areas have recently been resealed so that might be the reason for some of the coloration variance.

PB stated that balance in the Capex account is \$115,000.

SH stated that they are looking to continue with the pathway project and complete certain areas next. He asked which would be the preference of the pathway section to be completed next: back of building 4 by Hemmingway's and/or by building 3 by the gazebo area.

LH stated that 5 years ago, we didn't have a long term Capital Expenditure plan and this was initiated in 2005 to cover items such as this but we now have a draft plan. She clarified with PB that there is an allowance in the plan for walkways, but in the following year. Doing them now simply brings them forward.

SH stated that they can try acid on interior pathways to bring back color. He further explained that the Management Company does monthly walk "arounds" of the property to make sure the grounds are in good order and to see what areas need improvement. SH feels the resort looks better than the day it opened.

SH stated that the pathway work would be done in September and that it takes about 4 days to complete each section. The most expensive part of this work is the cement and aggregate.

DK stated that the new pathway lighting looks nice but it is not as substantial as the old lighting. He feels that the way to Hemmingway's is dimly lit; some fixtures are missing and they knock over easily. It was agreed to try and fabricate a cement base similar to the old lights.

DR commented on cracks and wooden pieces missing in some of the pathway areas. PB stated that they are going through and doing repairs now.

Corrine LaBagnara (CL) feels that building 4 should be done due to Hemmingway's traffic as well as from a safety point of view.

SH wants to do an enhancement by building 4 to make it feel more integrated with the rest of property.

Brian Peck (BP) comment on the parking by building 4 as it is very narrow and constantly taxis are dropping off/picking up passengers and the Graceway trucks deliver through there. He asked if there is there anything that can be done. DR said that it is really just isolated incidents that he is experiencing as their unit is in the same building and they are here for long periods of time and very rarely have they had an incident. It was felt that widening the area may only encourage more parking along the side.

2009 Hurricane Expenses

PB explained that the total Hurricane Assessment was \$116,000 and that the balance in the account as of May 21st was \$21,000.

The outstanding items to be repaired are: Roof air conditioning framework to be completed. \$12,000 has been allocated to complete this for all 6 buildings. This work would reinforce the wood and metal works that are damaged due to the strong environmental elements.

PB would like to patch the thin seal (membrane) on the roofs. LH questioned if this was a Capex or a Hurricane expense as she doesn't want it to skew the figures. VP agreed that it should be reclassified.

LH made motion to move the \$20,000 for the walkways from the 2010 budget to the 2009 budget. SH 2nd motion. A show of hands was requested and unanimously approved the motion.

PB asked if there were any questions. Kent Hassell (KH) asked what kind of coverage we receive from the insurance policy. PB stated that the damage we incurred from the hurricanes did not meet the deductible. The Insurance Coverage is \$1.02 per \$100 coverage.

SH stated that the Insurance Deductibles work off a schedule of values. It typically only becomes applicable when the damages are more for a catastrophic loss.

LH made motion to accept to the Hurricane Expenses. CW 2nd the motion. A show of hands was requested and unanimously approved the motion.

SH asked if there were any individual additional expenses over \$10,000 that PB anticipated for the remainder of the year. PB stated that he did not at this point.

Re-Election of the Board Members

DR stated that the next segment of the meeting was the Re-Election of the Board Members. JH stated that no other owners put forth any interest in participating on the Strata Corp Board so the existing Board Members remain in place.

Any New Business

SH stated that other Strata Corps have owners that are not paying Strata Fees and we are generally lucky. One Unit Owner is disputing paying his Strata Fees over his electricity. SH explained how a few years ago when the air conditioning replacement was done in this particular building the wires connecting the air conditioner and the condenser were inadvertently criss-crossed with another unit. When this was discovered, an extensive analysis was completed for the two units in question. As it turns out there was a \$700 difference in consumption between the 2 units. However, the owner seems to feel that this is a \$12,000 (reduced from his original claim of \$30,000) issue and is withholding payment of his Strata Fees. SH wanted to bring this to the Board's attention for their input. SH feels that we need to take some steps now to have procedures in place so that the Strata Corp cannot be used as a tool for such claims. However, there is not a lot of legislation on such matters. SH would like to firmly start to charge

interest on accounts that are in arrears of paying their Strata Fees as we do have the right per the by-laws.

LH feels that we have 3 options: Put a lien on their property; add interest on the outstanding amount; and proceed with a lawsuit to recover the funds.

NR feels that there are two separate issues on the account: There is a difference between utilities and strata fees. If the owner feels they have an electrical claim that should be made separately. They do not have the right to arbitrarily not pay Strata Fees.

LH feels that should be done with legal counsel.

SH made a motion to retain legal counsel to evaluate what action can be taken and to try to make an amendment to address by laws. CW 2nd the motion. A show of hands was requested and unanimously approved the motion.

BP asked about the cable reception throughout the resort as the reception in his unit is quite poor on all of his televisions. PB stated that WIV is actually working on the repairs this week. These works includes the re-running of lines and repair of junction boxes and will be testing signals. There has been a significant delay in completing this work due to the recent heavy rains.

MH complimented staff on communication during hurricane to which everyone agreed.

DR made motion to adjourn meeting as there was no further business. CW 2nd motion. A show of hands was requested and unanimously accepted the motion. The Strata Corp Meeting was officially adjourned at 11:30am.

SH complimented PB and VP on their consistent diligence in managing the resort and controlling expenses.

SH stated that VP will be transitioning out of the company over the next few months and moving to England to be with family. VP has been an extremely valued member of the team for years and will be greatly missed.

SH thanked everyone for taking the time to attend the meeting this morning.