

The Sands Strata Plan #25

Annual General Meeting

June 20, 2013

In Attendance:

Strata Corp Board:

Dolores Rogers, Chairperson

Miles Hamm

Stan Hartling

Judy Long

Fred McClaine

Management Team:

Pierre Beswick, Vice President Resort Assets

Mona Beeson, General Manager

Joan Hagan, Director of Owner Relations

Mike Michaels, Chief Financial Officer

Karen Gardiner, Financial Controller

Owners:

Jean and Jack Cutrone

Elisabeth Flamant

Norm Rogers

Alison and Brian Peck

Paul McAteer

Sarah McAteer

Maureen and Dan Kelly

Linda Harper and Robert Demers

Marla Yoss

Anne and John Decker

Craig White

The meeting began at 8:45am with the Welcome by Chairperson (DR). All in attendance were asked to introduce themselves.

DR asked Joan (JH) if in fact a quorum was met. JH stated that we have 116 units and 4 strata lots which equals 120 and in order to proceed with the meeting a quorum (being 50% of those either present or in attendance) would be 60. We did meet the necessary proxies/attendance required, but just barely. She further explained that had we not met the quorum required, the meeting would be immediately adjourned until seven days from now and however many owners were present would constitute the quorum.

Strata Income Statement December 2012

PB explained the Strata Income Statement dated December 2012.

Holiday Pays – The Government keeps adding various holidays i.e. Queen's Birthday, Election Day, etc.

Increase in Landscaping was higher due to a Landscaper out due to injury and not replaced until recently.

General expense for hurricane - we had an accrual left over from last year so this remained positive.

Overtime income was under \$5000 and this was due to payroll kept in line.

The negative amount for the Hot Tub & Pool Propane: This amount was not originally budgeted properly. There are two reasons for this increase is 1) High usage of the pools and colder weather than expected and secondly, as occupancy has been very high, we have had an increase in hot tub usage.

PB asked if there were any questions regarding Strata Income Statement December 2012?

John Decker (JD) – questioned maintenance and supplies. PB explained that when they have more work orders for the units and this uses supplies, and further explained that there was a significant leak in building 3 which used these supplies. PB explained that the work order costs for labor are \$15 for half hour and \$25 for an hour. He also stated that we carry approximately \$200,000 in inventory. It is important to note that all of the revenue derived from work orders goes to Strata Income which helps keep strata fees lower.

Balance Sheet:

Karen Gardiner (KG) explained the Balance Sheet as of December 31, 2012.

Total assets were \$488,973 in 2012 vs. \$378,361 in 2011.

JD asked about whether the big number variances are merely due to timing. PB confirmed this.

KG asked if there were any questions regarding the Balance Sheet and there were none.

Linda Harper (LH) made a motion to accept the Balance Sheets as of December 31, 2012 and the Income Statement as of December 2012 and Marla Yoss (MY) seconded. A show of hands was requested and unanimously approved.

Strata Income Statement May 2013:

PB explained that the actual vs. budget variance is \$10,000 better than expected budgeted through the end of May.

He stated that work permits is higher due to the extended amount of time to have them processed. We still have some outstanding from February and March. This is due in part to slow down from the initial elections and then the bi-election recently held.

PB explained that we changed all of the Common Area lights to energy savings ones which resulted in a savings of \$11,000. Additionally, the Waste Treatment Plant continues to save 1/2 in expenses than previously experienced.

Swimming pool supplies is higher due to the increase in recently purchased beach chairs.

P&B repairs is work that was recently done on the Kubota.

PB reiterated that the variance of actual vs. budget is \$10,000 in our favor. He also noted that this time last year we were negative by \$24,000.

PB asked if there were any questions regarding the Strata Income Statement up to May 2013 to which there were none.

Balance Sheet May 2013:

KG explained the Balance Sheet as of May 2013.

The total Liabilities and Equity is \$528,331 vs. \$397,874 last year.

PB asked if there were any questions in relation to the Balance Sheet as of May 2013, to which there were none.

CAPEX

PB explained that the increase in MEP is due to the fire company changing the type of hoses they use and as a result we had to change our adapters.

New chaises were budgeted. These new items are aluminum so they will not chip.

He explained that the Deck work/umbrella bases will be a better quality base.

Year to Date we have spent approximately \$60,000 of the budgeted amount of \$128,000 which is more or less exactly where we expected to be.

The building railings are in desperate need of repair. The cost to sand and paint them is approximately \$5 per linear foot vs. \$160-\$180 per linear foot to replace them. We will be sanding and painting them.

Door lock repairs: Norm Rogers doesn't feel this should be an owner's expense. He had been told that the staff were to be given door stops to help stop this problem but hasn't seen anyone with this. PB stated that it is hard to determine where the issue with lock repairs lies. Part of the issue could be that the lock is 10 and in some cases up to 15 years old. NR stated this continues to be a problem. PB further explained the reason for the replacement of doors is that the frames are so rusty and cannot be repaired. The doors and the locks are over 15 years old in some cases. Also, it was agreed that management would look for some form of a door stopper or latch to stop the locks taking the brunt of the door slamming.

LH asked if the new taxes being implemented are an administrative cost and will it be included in the next budget. RD also asked about the taxes. Stan Hartling (SH) stated they are an administrative cost and will be included next year. He went on to explain the Turks and Caicos Resort Economic Council and their initiatives with the government to try to keep taxes down.

PB asked if there were any questions in relation to the CAPEX.

DR explained that following last year's AGM, three sub committees were formed: By laws Review, Internal Audit, and CAPEX Review committees.

CAPEX Committee:

Judy Long (JL) stated that there was concern that we were not distinguishing properly between a CAPEX and a reserve. JL worked with PB to review the current CAPEX. PB stated that they worked with BCQS to review our current CAPEX Budget and to make sure we were at the appropriate amount given the age of the resort.

PB explained that the blue highlighted areas in 2012 are where items were to be purchased but were not and thus carried over to 2013.

As a result of the review by BCQS and discussions with the Committee, they decided to create a "roof fund" out of the budget which will be \$1,050,000.

As the process of fine tuning the CAPEX Budget continued, the Committee decided that although the Roof Refurbishments were the most significant charges, there were also a number of other Major Projects that needed special attention/funding. With that said, they then decided to begin working on a Major Reserve Fund Spreadsheet rather than just a Roof Reserve. Additionally, it was also important to factor in not only inflation on goods and services but also and inflation rate on the Capital Assessment because the

spreadsheets showed a shortfall going into year 2023. Thus, various inflation rates were tested to see what would work best. Although there is no perfect formula they felt that a 2% on Goods and Services as well as a 4% per year increase on the Assessments will be sufficient to keep in with a positive balance and cover all Capex and Major Projects. The Spreadsheet/Budget will be updated yearly as we have been doing. The present version extends through 2026, covering all upcoming Major Projects.

LH asked whether the committee has met to discuss/review the options. JL confirmed this. LH asked if the committee has a recommendation for the owners to decide.

LH made the motion to increase the assessment by 4% to meet the expected needs and out of that, funds will be set aside for a Major Reserve Fund (versus a simple CAPEX yearly spend) and that these funds would only be used for either projects with a defined criteria (i.e. major, very long term projects like a roof or for a natural disaster recovery). Fred McClaine (FM) seconded the motion. A show of hands was requested and unanimously approved.

Audit Committee:

Miles Hamm (MH): Is the Chairperson of the Internal Audit Committee. He explained that the committee received a quote of \$25,000 to complete the audit. MH stated that the funds are not in the budget at this time, and after review, they do not feel it is necessary, and our recommendation is not to do it as they do not see the reason. In reality a large percentage of the overall expense of an audit is easily verified in only a few categories meaning the residual risk is minimal.

LH made the motion that we accept the recommendation of the Audit Committee and MY seconded the motion. A show of hands was requested and unanimously approved.

By Law Review Committee:

As the Chairman, Archie Cheng is not present at the meeting SH that he will explain the findings.

He stated that they were asked to look at By-Laws with comparable resorts.

The findings of the review resulted in several suggestions and they feel that the owners need time to digest the material and he stated that either we can hold an Extraordinary

Annual General Meeting (AGM) or vote on the proposed amendments at the AGM in 2014.

LH asked SH how the by-laws are governed. Can you explain?

SH stated that there are two components that govern us: The Ordinance that was created by the Government and the by-laws which are amended versions created by the resort.

He further explained that in order to accept even one the proposed amendments, we would need 2/3 majority vote so even if we wanted to we couldn't do it today as we barely made the quorum which was only 1/2 the owners.

In reviewing the comparable By-Laws they found that the Windsong actually took our existing By-Laws and merely augmented them. The committee did not find the By-Laws from Ocean Club Resorts very useful at all for any suggested amendments.

SH explained that the primary issues at the resort are as follows:

Collection of past due Strata Fees

Amendments to the Strata Plan – For example, last year the suggestion of creating an above ground gym in the Coconut Grove was put forward. As the By-Laws read now, you would need 100% of the owners in agreement to do this project which obviously is unrealistic.

Notices section – this is completely outdated in this world of email, etc.

Direct Rental clause: SH stated that this is actually under review by the current Government and they will be putting forward any proposals on this issue. The major concern with Vacation Rental By Owner is safe guarding the Strata Corp. There are two resorts on the island currently having or have had significant issues with this.

SH again reiterated that the Chairperson of this committee is Archie Cheng and he is also a lawyer as well. In addition, another member of the Committee is Julie Brouhard and she is also a lawyer.

The Motion to take the suggestions and put in draft form, set tentative dates for a Q&A with the owners and then the committee will decide which ones to put forward for a vote by the owners: FM made the motion, JL seconded and a show of hands was requested and unanimously approved. Once the owners have had a reasonable time to review the proposed amendments and comments then it would be possible to call an Extraordinary General Meeting via proxy to vote on the changes on a one by one basis.

Again this can only be achieved if there are 2/3 of all owners voting for any change to take place.

Re-Election of Existing Committee:

JH asked that since there were no other owners that put their name to be considered for election to the Strata Corp Board, would the existing Committee Members care to stay on and all agreed. JH then asked DR if she would like to remain as Chairperson and she stated that she would.

Any New Business:

FM asked that he is one of several new owners to the resort, if there is any information out there that will differentiate between strata and management issues. JH stated it is on the website in the Q&A that was distributed last year. SH further explained the difference between Management areas and Strata areas and those that are a combination of the two.

NR commented on the pool and beach area: there is currently only one hobie cat in service and there are two in disrepair. Mona Beesom (MB) stated that one has been replaced already. He further commented that the Pool and Beach staff take guests out in the hobie cats, leaving no attendants on the beach. He added that there were not enough umbrellas. He has recently spoken to MB to get some sort of protective cover which would provide sun protection for the staff – possibly a portable structure.

Brian Peck (BP) agrees and thinks there should be communication equipment and more lifesaving equipment at the Pool and Beach area. He went on to describe the recent incident where a guest at the resort apparently had a severe health issue and as a result drowned in the water.

SH agreed that there should be a type of “portable” shaded structure for the beach area and offered to cost share the expense of creating a more “permanent – portable” structure for the beach area. Robert Demers commented that there is no reason why every 30 minutes a member of the pool and beach staff couldn’t walk the beach keeping an eye on the guests.

MB stated that we are trying to hire more staff as Christopher recently left to go back to the Philippines to his family and Adrian has also taken a leave of absence but will return in approximately 3 months. She further stated that the P&B staff do go through life-

saving CPR and AED training 2 times a year, and that there will be a revamping of responsibilities as Christopher took on the role more of a supervisor even though he was not. PB explained the staffing issues with the Filipino staff. He also commented that we do currently have a duty manager who lives on property and looks after this department.

Recently there was an issue to where the signage is posted not to go out too far on the paddle boards and the guests had to be rescued because they ignored the instruction. SH asked about the possibility for an additional fee if someone takes the equipment out and has to be rescued, there is a fine imposed to the guest with the income going to the Strata Corp.

FM brought up the condition of the water in the pools. MB explained they shock the pools on Monday, Wednesday and Friday's, but the current cloudiness of the water is due to extremely high usage and high amounts of lotions. Christopher used to take care of this daily. She did add that they are taking steps to correct this. SH stated that this does need more attention during the warmer seasons.

NR commented on the low number of umbrellas. MB informed everyone that there are more on the way and additional canopies.

SH asked if they need approval to get more umbrellas. PB stated that they will order a dozen more.

SH proposed a motion to approve a "permanent-portable" structure for the beach; FM made the motion to upgrade the current structure on the beach, which will be cost shared with the Management Company and adding more safety equipment. BP offered to help make some recommendations for safety equipment if funding would be raised to build the new beach structure. SH said he agreed that this was a very important initiative and that although the beach equipment is a Strata item, the Management Company would pay 50% of the cost if the Strata owners thought it would be beneficial. RD seconded the motion and show of hands was requested and unanimously approved.

FM made the request to consider putting a basketball net within the tennis court as another venue for guests and their children. A vote was taken and agreed so long as the courts had to be formally signed out like it is for tennis.

The 2013 Strata Corp #25 Meeting adjourned at 11:52am.