

## **Dear Valued Owners,**

While it has only been only little more than a month since our last update, one must admit it feels like a lot has transpired since.

We hope that things for each of you are heading towards a more positive outlook as you prepare to enjoy the excitement of spring and the promise of great weather for those in the more northern areas.

Given that things seems to be changing more frequently than normal, we felt this would be another well timed moment to keep you updated on our progress along with some recent decisions and what to expect in the coming months.

### **Revenue Pace:**

We had highlighted in the last review, that while we weren't remotely at the previous pace levels that we normally would see for this time of year, we were moving in a positive direction. That direction has continued increase in a positive manner and we feel that we are well aligned potentially for a better than usual mid-year performance which we hope will make up for the slower first quarter start. For the first quarter we are only pacing at about 25% of normal business levels and a big part of that was the resorts that typically are much higher priced were offering huge discounts at that time, so even with specials, it was hard to get the pace we wanted. The discounting in that segment seems to be lightening up thankfully, at the moment. We are seeing the mid-year months getting closer to 70% of our normal business and we hope to improve on that.

It seems that the successful rollout of the vaccines in the USA and Turks and Caicos has led to a nice increase in confidence levels for travel. With little USA travel taking place to Europe, and most USA coastal destinations highly occupied, TCI remains well poised to respond to this new found demand.

A few things to please remember though, much of the positive increases we are referring to today, won't predominantly show until the upcoming months. As we know, we had to do our best to respond to the market conditions in the first 3-4 months of 2021 and that lead to rates that were lower than we all would prefer.

We are pleased to say that we have made two upward movements in our rates over the past 3-4 weeks and we are monitoring that closing to see if it is affecting our new booking pace. If it creates large slowdowns in overall bookings we will readdress. These rate improvements will start to show up more so in our May and going forward statements, but they will be intermixed with bookings made earlier in the quarter.

The positive news is we are gaining some ground and we hope that the competitors in our market will follow the same path. We are watching our rate comparisons and yield very closely.

### **Source of Charges:**

Now that we are getting back into an operational revenue generating mode, it does mean that some of the traditional expenses will begin to resurface as well. Many of these charges were suspended and/or reduced over the past 12 months, so it may be useful to recap what they are for, and where that revenue goes help you be more informed.

### **Items Billed with Revenue to the Strata Corporation**

While it is often misunderstood, many of the various charges that appear on your statement for services are actually used as a source of revenue for the Strata Corporation (not the Management Co) as a benefit for the owners in general.

Some of these include :

**Battery and Bulb Replacement** - this is an allowance to cover the cost of making sure items like remote batteries , bulbs etc. are replaced as needed . The funds are credited to the Strata Corporation and any related expenses to carry this out as needed, is offset. This method was created based on the owner feedback preferring not to be billed individually as the work was done each time. Thus the billing for this may not correlate with the timing of an actual replacement. This billing was suspended completely suspended during 2020 as part of the cost reductions.

**AC Semi-Annual Maintenance** - this is the charge to change out the filters and to clean/inspect fan coils in the AC units. This revenue is to cover that cost of doing this, with any surplus accruing to the Strata Corporation. During 2020, only one of the two semi-annual fees were charged.

**General Interior Work Orders** - The Management Company oversees and coordinates the work orders for needed interior repairs. However, the revenue generated by these work orders is credited to the Strata Corporation with any profit being to the benefit of the owners in general.

**Cable/Pest Control** - Cable & Pest Control are billed through the Strata Corporation with any residual markup going to the benefit of the owners in general. Cable was reduced from May - July 2020, based on reductions that were negotiated with the supplier.

**Capex Reserves** - the capital reserves are segregated into two categories. Regular Capex: this is generally for items that need to be replaced in less than 5 years but have a useful life of more than a year. It is expected to be used on an annual basis based on the projected needs for the year. The second category is the Major Capex fund. This fund is intended for major capital items that are of a longer lifespan and may be of a higher value. The Strata Executive Board has suspended the Major Capex assessment since March 2020. This will be re-evaluated midyear, based on the need to have the reserve built up. All Capex Reserve assessments are 100% to the credit of the strata corporation.

**Strata Fees** - Strata Fees were reduced by 30% from September 2020 and that reduction is still in place. **The Executive Committee recently has approved the Strata Fee reduction through to the end of May** and will review it again at that time to ensure the reduction will not create an excessive deficit. We are pleased to say that this extension was possible because expense controls have led to less of a deficit than projected to March 31<sup>st</sup>.

There has been some feedback asking about the fact that the reductions in fees were not in effect prior to September. It is important to note that all the Strata Fee assessments go into a pool for the general benefit of all owners so any assessment received is not "money gone". It simply helped build a temporary surplus that then allowed the board to be comfortable that a prolonged reduction was achievable. All of the same cost cutting was underway and those savings are well reflected in the financial performance during 2020-21.

For more information on these and other expense items, we remind you that there is a useful Q&A document on the owners website. Should there be other questions you would like to see added please just advise Joan Hagan and we will be pleased to review.

### **Strata Corporation Function:**

There seems to be some misunderstanding as what the role and functions may be of the Strata Corporation and its related Executive Committee. It is important to note that the Strata Corporation is not a Corporation in the sense of a business related Corporation, but it is a body formed for the purposes of carrying the legal obligations and duties (under the By-laws and the Strata Titles Ordinance) of the Common Property.

While there is always informational exchange and discussion between the Executive Committee and the Management Company about non-strata items, the remit and scope of the Executive Committee is clearly defined around the good governance and maintenance of the Common Area elements. This includes the building exteriors, structures, pools, grounds and landscaping, decks and other common areas we all enjoy.

The Strata Corporation operations and responsibilities do not include the aspects of the commercial operation of the property such as reservations, marketing, advertising, staff hiring and training, rental management or the items specifically related to maintaining the interior of the units. These all fall under the Management Company and are governed by the Rental and Management Agreements in place individually with each applicable owner. Those individual Rental Management Agreements are separate and apart from the Strata Management that is a single agreement between the Strata Corporation and the Management Co to carry out all of the Strata Corporation operational obligations.

The latter is the agreement that is presently under renewal discussions.

### **Advertising & Promotion:**

Advertising and Promotion is one of the areas of the operation that falls under the remit of the Management Company. Many of you recall the presentation done for the owners the day of the 2020 AGM by our VP of Marketing, MS Karen Whitt.

This presentation helped owners understand the depth of the activities that take place behind the scenes with important travel professionals and wholesaler organizations. Many of these critical activities are not evident to the owners because they are not public media per se but they are the core of what drives our revenue and has led to the Sands being one of the highest producing resorts in its category year after year. We have a dedicated sales team in the USA that focus directly on the Sands and its ongoing relationships with our major travel providers. This network and reach has been the result of many years of investing into the resources that can drive the larger volumes of business.

Our PR & Sales team are constantly finding ways to keep the agents engaged in the property as well as leveraging our PR relationships developed across all the properties. This has led to some great exposure with the Sands being featured on major game shows like the *Wheel of Fortune*, *Let's Make a Deal* and *The Price is Right*.

Additionally, the Sands benefits with cross marketing and agent fam trips among the various properties. When touring agents at any of the sister properties that have been brought in, the Sands becomes part of that tour which in many cases would not be possible as a single property. This is the exposure that leads to high levels of recurring revenues as we build in that agent awareness and loyalty.

In 2019, before the pandemic, we were able to reach a new gross rooms revenue record that was just shy of \$11,000,000 for the year!

Recently there has been some mention in regards to local on Island advertising, and the amount of it that specifically mentions the Sands versus some of the other related properties. It is very important to note that in the case of the Sands at Grace Bay, our key focus is on generating rooms revenue versus other revenue from outlets like the restaurant and spa etc.

We have tried allocating money to on-Island ads, but in terms of generation of rooms revenue, it has been very ineffective because people are already on Island. Local advertising is often expensive for the scope of reach it gives, but it can be effective for certain reasons. The main reason we usually include any of the resorts into on-Island advertising is because we are trying to drive revenue to the outlets themselves versus room rental. Thus you may see advertising for one of the sister resorts, but it is likely in the form of a restaurant ad or spa ad for example.

In our case at the Sands, this advertising is done by Hemmingway's and Spa Tropicque separately, and we often combine them into our general PR and social media efforts . The key goal is to encourage people to come and enjoy these outlets and promoting those outlets directly (versus just the property) has proven to be a more effective way to get people in the resort. We do always welcome observations of where there are local or other forms advertising that may be an effective way to drive rooms revenue for the property.

From a local perspective, where we do try and gain a lot of awareness is through our charitable efforts on Island. The Sands is heavily involved in many community based initiatives including the Provo Children's Home, the Edward Garland Youth Center etc. Our General Manager and team are very proactive in other initiatives as well like TCI Shines, all of which bring a positive message and reputation to the property in the social media circles.

An example of a similar collaborative effort in the later part of 2020, was video the music video created with Gramps Morgan. The song was custom written for us as a resort group and it was a resounding success. It was circulated in all social media channels and shared with over a thousand travel professionals. During its first week, it was seen through various shared channels over 100,000 times.

The video for those that didn't see it can be viewed at <https://www.youtube.com/watch?v=TdsaZumQ4MQ>

During the upcoming AGM in June 2021, Ms. Karen Whitt, VP of Marketing and Promotion, will be making a dedicated presentation again outside of the AGM time slot so we all can get a solid understanding of the scope and strategy used in making the Sands Resort a success.

### **Owners Forum:**

We wanted to send a friendly reminder there is a new owner forum that is a great way to allow the owner group and the management company to communicate, exchange ideas, answer concerns and questions in manner that is discrete and manageable. It allows time for a response to a question so that owners knows the response is one that purveys the facts to a concern. It also makes the information available confidentially to all within the owner group versus open forums that can often be selectively shared outside the owner group, creating misinformation that may not be helping our common interests.

You can log on at [www.thesandsowners.com](http://www.thesandsowners.com) using the login information you will have been provided. If you need your login info, simply contact Joan Hagan directly and we will be glad to provide it to you. We hope you find this a useful way to communicate and receive information.

In closing, we want to sincerely thank you for all of the ongoing support from the vast majority of all owners. It has been a great pleasure to work through an unprecedented period and emerge into a new period of hope and new promise. We encourage all of us to focus on the strengths of the relationships we have formed over the past 2 decades and use that as our advantage going forward.