

## **Strata Plan # 25**

### **AKA (the Sands)**

#### **Owner Q&A**

#### **What is the overall structure of the Resort and its entities?**

If one considers all the expenses that would normally flow through any normal hotel property then in a Condo Hotel model all of those normal expenses will fall into one of three entities.

1. The Resort Management Company (Oceanside Marketing)
2. The Strata Corporation
3. The Individual Condo Owner

#### **What are Strata Corp Related Items and expenses and what are Management Related company items?**

Strata costs typically will be related to items that would need to be there if it were merely a condominium. This would include grounds, pool and beach, maintenance, Security and Common Area Cleaners.

Management related items will predominantly be those that expenses are needed to convert the property into an operating resort. This would include Front Desk, Phone Operators, Housekeeping, Accounting, Restaurant, Convenience Store staff, Bellman, Maids, supervisors, Purchasing staff, Reservations staff, costs to run the offices, stores and laundry areas, administrative and executive overhead, all non-strata managers etc.

Some of these items are needed for both and will be described more in detail below.

Costs that typically are passed on to the individual unit owner are those that relate specifically to the consumption and maintenance inside the specific demised walls of the Unit. i.e., power, water, cable, interior repairs, and capital improvements.

## **Who comprises the Strata Corp Executive Committee and what is their role?**

The Strata Corp Executive Committee is a group of 5 Strata Corp owners who are elected on an annual basis by the Strata owners. This election takes place at the Strata Corp Annual General Meeting held historically in June.

The Strata Corp Executive Committee is there for the owners to answer any questions that owners may have regarding Strata Corp items only. It is their responsibility to review the Strata Corp financials, ensure budgets are in line and if not, make recommendations to ensure they are (this may include increasing Strata Fees, Assessments, or other costs adjustments as needed etc.). The role includes fiduciary responsibility over the activities and fiscal responsibility of the strata corp and related common areas. This includes seeing that adequate insurance is in place, and that long term capex and other key items are being properly considered and administered.

The Executive Committee are there to oversee the Strata Corp (common area) related items. They are not involved in the day-to-day management of the resort or the rental operation. Should owners have questions/comments regarding Management related items, they are directed to contact the Director of Owner Relations or the General Manager.

## **When are the Strata Corp meetings?**

The Annual General Meeting is held the 3<sup>rd</sup> Thursday in June. We encourage all owners to attend as the meetings are quite informative and provide an excellent venue for questions/comments. Also at this meeting, the re-election of current Strata Corp Executive Committee takes place. The Agenda for the meeting is sent to all owners prior to the meeting as well as a proxy if they are unable to attend and a voting ballot. There needs to be a quorum in order for the meeting to take place. A quorum consists of 50% of the owners either in attendance or by proxy received. The quorum is established one half hour prior to the beginning of the meeting. If a quorum is not established, the meeting is immediately adjourned and rescheduled for 7 days from that date and whoever is in attendance forms the quorum.

The Annual Executive Committee Meeting is held the 2<sup>nd</sup> Thursday in December. Only Strata Corp Executive Committee members and representatives from the Management Company attend this meeting. At this meeting the Budgets are reviewed and approved for the following year as well as a complete review of all the Strata Corp financial

reports. This may also include any necessary increases that may need to be implemented in order to have a balanced budget.

The Executive Committee also conducts a number of ongoing virtual meetings throughout the year to cover whatever topics or projects need to be discussed and moved forward.

For either of the scheduled meetings, owners are requested to submit any Strata Corp related items to be discussed. These can be submitted to the Director of Owner Relations or any Strata Corp Executive Committee member.

Minutes of these meetings are posted on the Owners website.

### **How do we access the Owners' Website?**

[www.thesandsowners.com](http://www.thesandsowners.com). You as an individual owner will have a unique username and password. If you have forgotten your password or need a new one, please contact Joan Hagan at [joan.hagan@hartlinggroup.com](mailto:joan.hagan@hartlinggroup.com) and she will get one issued to you. Items posted are the Minutes from the meetings; Financial Statements; Strata Corp Executive Committee Members, Insurance Coverage Documents, Newsletters; Updates; etc.

### **What are "unit entitlements" and why are they important?**

Unit entitlements are the basis under the strata titles ordinance that give weight to allocation of costs for strata operations but also voting.

Often you will hear that strata costs and assessments are distributed based on a unit size (square footage) calculation. That is in essence true, but one needs to realize that it is not exactly only on square footage precisely. The surveyor that would be assigned to register the Strata with land registry will come and survey each actual strata lot (physical unit) before registering the strata plan with land registry.

That surveyor will then file a strata plan that assigns a number of "unit entitlements" to each unit. This is primarily based on the size of the unit unless there is a unique reason not to do so. (see notes later on basement areas etc)

In the case of the Strata Plan #25 (aka The Sands), the surveyor chose to allocate 1 unit entitlement for each 100 square feet of unit size with the unit size being rounded up or down. So, for example, a unit of 1,033 square feet would have 10 unit entitlements, while a unit that is 1,080 sq ft would have 11 unit entitlements.

These entitlements are used as the means of allocating out the total operating assessments of the strata corporation and in the case of Strata Plan #25 there are a total of 1,328-unit entitlements for the entire strata corporation (i.e. a total of nearly 133,000 sq ft of strata lots). You can view the total list of various unit entitlements on the owner's website under the tab "unit entitlements" to know what your specific unit entitlements are.

### **How do unit entitlements relate to my voting rights?**

At an AGM, when a vote is called it can be by a "show of hands" meaning 1 vote for 1 strata lot. Alternatively, any member can ask for a "poll" meaning that the votes are not tabulated by 1 vote for 1 strata lot, but instead by the weighted number of "unit entitlements" for each strata lot. Thus, an owner that has a 1,033 sq ft lot would be voting 10 units entitlements while a owner that has a 1,525 sq ft unit would be voting 15 unit entitlements. This weights the voting towards those that pay the most into the strata corporation operations.

### **What Expenses are paid by the Strata Corp versus the Management Company?**

The Strata Corp. is generally responsible for all expenses that typically relate to the common area in a normal Condominium project. This includes irrigation, site lighting, maintenance to the outside of the Buildings, Pool maintenance, landscape, parking areas, walkways, sewage plant operation etc.

The Management Company pays for all of the expenses relating to Office and Administration operations, (There is a 17% Management fee paid to the Management Company from Strata which is explained in detail below) [*Note subject to a possible change to a fixed fee 2022*] laundry operating costs (power, water, propane, equipment costs etc.), phone system costs (the individual unit costs are billed back to the unit owner), payroll & accounting functions, main computer systems including the capital cost and ongoing maintenance costs, communication costs, Owner's web site maintenance, advertising and promotion.

While not contractually obligated to do so, the management company pays for the supply and laundering of the beach towels annually.

### **What Wages are paid by the Strata Corp Versus the Management Company?**

The best indicator to know if a wage is paid by the Strata Corp., is to determine if that employee would still be required if the property is operated as a normal Condominium operation, as opposed to a resort.

For example, pool and beach attendants, maintenance technicians, painters, gardeners, security guards, and common area cleaning staff fall under the umbrella of the wages dedicated to the strata area budget. These are staff required to maintain the common grounds regardless of rental operation and would be needed even if the property was a pure residential only operation.

Staff required specifically for the resort operation are generally paid for by the management company. This includes the housekeeping staff such as room attendants, housemen, managers, supervisors, laundry attendants; front office staff such as bellmen, receptionists, front desk attendants, concierge and greeters. Administrative personnel such as human resources, various accounting staff, reservationists are also paid for by the management company. One of the major expense areas relates to all upper management roles. Virtually all the present executive positions, with the exception of the Chief Engineer, are paid for by the management company.

The one area that is not as clearly defined, is the additional pool and beach staff used to run the water sports area. In order to support this program and offset this cost, the management company voluntarily contributes \$27,000 per year (2019) to the Strata Corp. based on the premise that this feature greatly enhances the guest experience thus helping us compete with other properties and raise room rental rates.

### **Does the Management Company pay Strata Fees?**

Yes, the Management Company pays full Strata fees on all the ground level buildings it owns within the Strata Plan. This includes, the laundry building area, lobby, retail area, office area and the restaurant. Please note that fees are not paid on basement areas that are owned by the management company. The reasoning behind this is that these areas were optionally built by the management company at its own expense. The building could have been built as a slab on grad (no basement) but the extra expense was absorbed to have additional operational area. They are legally surveyed as a separate strata lot and owned by the management company. The reason they do not pay strata fees is twofold. Firstly they are not areas that generate any material income and are not positioned like other above ground strata lots. They simply receive a nominal unit entitlement in exchange for not being assessed normal fees. The second reason is these areas are large and often take up the entire ground floor footprint. If the developer had these as full entitlement units, it would in fact have a very heavy weight in the annual voting of the strata corp and would have significant influence on voting outcomes. These are treated as passive operational use areas and also include the gym, hospitality lounge, with related washroom and shower areas. Onsite staff accommodation, office areas, staff rooms and storage are also in these basement areas.

### **Who makes the decision for renovations and major upgrades within the Units in the rental pool?**

The Management Company has individual contracts with each owner in the rental pool. This is distinctly different than the Strata Management Agreement which is one agreement between the Strata Corporation and the Management Company. Per the Maintenance and Rental Agreement, the Management Company has the obligation to set standards that must be maintained in order to ensure the level of quality. It's very important that consistency remains intact in order to retain our current market share and to be able to work with professional travel providers who need to know what the standard is throughout the entire property. While the decision does not rest with the

strata corporation, suggestions for interior renovations are typically shared with the executive committee and presented at an AGM or other form of communication to the rental program participants. Management makes these recommendations based on guest feedback, travel agent comments, management inspections, owner requests, and comparison to other competitive properties.

### **Who owns the Water Sports Equipment?**

The Water Sport Equipment is owned by the Strata Corp. and is available for use by the owners and guests without charge. As mentioned previously, the management Company contributes \$27,000 per year (2019) towards the maintenance of the equipment and labor to oversee the program.

### **Does the Developer own any Condo Units at The Sands?**

No, neither the developer, nor management company or any of its associated companies own any interest in a condo unit, either directly or indirectly within *The Sands at Grace Bay* development.

### **Who gets the Revenue from work orders that are done in my Unit?**

All revenue generated through routine work orders is credited back to the Strata Corporation for the benefit of all Owners. The Management Company does not charge a mark-up on work orders but uses the strata lot management fees to help offset the considerable expenses related to the tracking and overseeing such work. *[note:strata lot management fees will no longer exist if the new strata management agreement is put in place]*

The only exceptions to this would be major renovation items in which case the management company would have the right to charge a 10% fee as per Clause 2.4 (a) to cover the cost of overseeing and coordinating the trades and suppliers involved. The management company has not taken advantage of this fee as a gesture of good faith.

**I can purchase appliances much cheaper at home, than what I am charged for replacement at the resort. Why?**

Yes, this is true but please factor what is involved in procuring that appliance and getting to the Island. You have someone to source the item for the best price for the best quality; shipping to the freight forwarder; freight to get it to the island; 7.5% customs processing fee; 30%+ duty; delivery to the resort; installation. The management company does incur the costs of procuring and inventorying a back up supply of many appliances because the replacement is often needed on short notice if something fails. Local availability of similar quality or matching appliances is limited and very costly. The management company does charge a 15% fee to cover the costs on procuring, storing, and inventorying the backup appliances. Generally, these prices still come in at about 15-20% less than if the item was purchased locally on Island (when available).

**Why can't I bring my own televisions to the resort?**

Some owners would rather bring their own televisions down, in order to save the expense as described above. If the television is the same as the ones in the resort, (i.e. exact brand, size etc.) that is fine. They are then responsible for the duty, shipping etc. However, if the television is not the same brand (i.e.LG vs. Toshiba) and the remote breaks, we then have to replace the remote with a universal remote and hope that it is compatible and these tend to create a number of issues as they frequently lose their programming to that type of set. Additionally, universal remotes do not have all of the same features as a normal remote and can annoy guests. Ideally, there needs to be a standardized TV specification that should be a commercial unit rather than a residential unit. Commercial units will typically have a different remote for the user and a master remote for the management so that guests do not remove channels etc. from the auto programming or change settings that lead to service calls. Many commercial TV sets also have a more robust power supply that is less resistant to electrical surges and drop as well as lightning. Please also consider that smart tv's can

be an enormous burden on the overall internet service to the property. Wifi bandwidth is extremely expensive and limited on the islands in comparison to North America.

### **What Fees are paid to The Management Company by the Strata Company?**

The Management company receives two primary sources of revenues from the Strata Corporation. The first source is a Strata Management Fee which is calculated as 17% of the "Total Strata Assessments" as determined in advance for the upcoming year. This method was chosen in lieu of using "Actual Expenditures" so that the management company would never be rewarded for being over budget or punished for bringing the strata costs under budget. *[note: this is expected to change to a single fixed fee if the present new strata management agreement is mutually accepted and would start Jan 2022]*

The second source of remuneration is in the form of a monthly Strata Lot fee which is assessed at \$71 Per Strata lot [2019]. This fee is billed to the strata corporation versus the individual owner and are covered in the existing strata fees assessed.

These fees are in place to cover the administration and management expenses related to the common area and the administration of billings etc. inside of your unit, with the exception of major renovations. This includes all executive management, accounting, supervision and administration associated with the interior and exterior areas of the property, ie work order, repairs, utility bill outset. *[note: if mutually accepted the new strata management agreement eliminates these fees]*

### **Who owns the rights to the name "The Sands at Grace Bay" and the related logo?**

The Sands name and logo are owned and trademarked by Oceanside Marketing who is also the company that paid for the initial creation and promotion of the name and logo. Unlike some similar properties, Oceanside does *not* charge any branding fee for the use of the name to those participating in the rental pool.

As such, Owners not in the rental pool are not legally able to use "The Sands" or The Sands at Grace Bay" name or Logo in advertising their units for rental, no matter what format the rental is being offered.

### **How are the Utilities Billed for my unit?**

The utilities are billed through the Strata Corporation and any mark-up residual remains in the Strata Corporation for the benefit of all owners.

Oceanside Marketing has used its Resort Business License to apply for a discounted electrical rate that reduces the base rate to approximately 25 cents per KWH (before any fuel surcharges). This discount would not be available otherwise.

The Strata Corporation adds a markup in order to cover line loss (the difference that will occur between the main meter and all of the sub-meters).

This mark-up is credited to the Strata Corp. for the general benefit of all owners. The same applies to the water charges and varies month to month of approximately \$0.04 per gallon. In order to repay the proceeds needed for an emergency water main replacement there will be a temporary 30% mark up on the water usage until the repairs and the associated rupture costs are repaid. Total cost of both items stood at about \$160,000.

For full clarification....The Management Company does not take a mark-up of any kind in relation to the utilities billed to the Condo Owners.

### **Can I verify my meter readings if desired?**

Yes. The meter readings are independently read by maintenance and then the readings are put into an allocation sheet by the accounting department. The total of all these readings are then used as the basis for the allocation of the power and water charges

from the main meter. You are welcome to be able to see the actual current meter reading on your electrical and or water meter at any time or the management co can send you a picture of the present reading.

### **What Buildings and areas are owned by The Management Company?**

The Management Company owns the Main Office and Lobby Building, the Restaurant, the Laundry and Retail Area, as well as the Basements and related improvements in Buildings 1, and 6. This includes the gym, hospitality lounge and spa rooms.

### **When is something my personal expense versus a Strata Corp Expense?**

Generally, if something is worn or damaged inside of a unit then this is an expense of the Owner. Exceptions to this would be something that happens inside a service chase that has pipes going to multiple units. For example, if a leak takes place in this chase, it is considered a common space and so the repair would be deemed an expense of the Strata Corp.

Anything outside the demised space of your unit is maintained at the expense of the Strata Corp. This includes rear decks, exterior painting on walls and roofs. Screening is considered to be within the demised space of the units and is the responsibility of the Unit Owner.

### **Who pays for Advertising and promotion?**

The majorit of this expense is paid for by the Management Company. No direct costs relating to advertising are ever billed to the Strata Corporation.

The management company has always had the right under section 14.2 of the Management & Rental Agreement to make a yearly assessment to the Owners to offset a portion of its marketing Costs. The assessment equates to two nights rack rate (1 high season and one low season rate).

With the high number of new properties coming on line, the need for expansive advertising has increased dramatically. We currently charge the average of one night winter and one night summer rates as per the Management Agreement. It had endeavored to primarily make use of comp nights and has absorbed the bulk of the marketing and promotion costs as much as possible. Usually the marketing assessment only covers about 25-30% of the total marketing spend for the resort. As an example, in 2019, the Management Company spent close to \$400,000 in advertising and promotion of the property, and recovered \$111,000 of that back from the Owner group. This also highlights why those not in the rental program and not contributing in any way to the Branding and awareness of the resort are not permitted to usurp on the massive efforts put forth to achieve the awareness we do.

### **How many Comp. nights are allowed in my unit and what are they for?**

The Management Company has the right to use 6 nights for various reasons as per Section 14.1 of the Management Agreement. Comp nights are usually used in relation to the promotion of the resort, i.e. promotions, travel agent wholesalers, and various fundraisers (Cancer, Aids Foundation, and Children's' Orphanage)

The management company will normally not place (reserve) the comp nights into the system until the last minute so as to not displace a potential booking.

Historically, the management company has only used less than 50% of its complimentary room night allocation.

### **Who Owns Hemingway's?**

The building that houses Hemingway's is owned 100% by the Management Company and is leased to a company in which Terry Drummey is the major shareholder. Oceanside Marketing is a 30% shareholder in the restaurant operating company. All of the electricity and other utilities used in the restaurant are paid for by the restaurant company. All repairs and improvements to the building are paid for by either the

Management Company or the restaurant company. (The only exception would be the public bathrooms, which are cost shared with the strata corp as they are used by both restaurant and resort guests and serve as the primary rest room for the pool and public areas.)

**Are the Visa/Charge card Costs Shared with the Management Company?**

Yes. The average annual charge card costs and collection costs are approximately 2.9% to 3.1% of revenues and this amount is deducted in the calculation of Gross Revenue so that the cost is shared on a 60/40 basis.

**How is the Gross Revenue amount shown on my monthly statements calculated (i.e. before the 60/40 split)?**

The gross revenue shown on your statements represents the actual revenue received after any related discounts, travel agent, and reservation fees. Credit card and collection fees are also deducted.

The reason these fees are taken of before the 60/40 split so that the Management Company is effectively cost sharing any of these costs or deductions with the Owner. Thus, the Management Company is motivated to find the most cost effective way possible to create revenue and avoid fees wherever possible.

**How is my unit rotated in the rental pool with other units?**

Each Unit within the development is labeled into a specific room category. For example, "Two Bedroom Ocean View". When a reservation request is entered into the system, the computer looks within that specific category and identifies the unit with the lowest number of occupied room nights. An Occupied Room Nights is considered to be either rental nights or owner-occupied nights. The system will also take into account future reservations on file as well. The unit with the lowest number of Occupied Room Nights will be given the priority on the booking.

Like any system there is never perfection in the ability to have revenues come out equal for all unit holders within a certain category, despite best attempts to do so. Each unit can still differ depending on several factors such as, timing of various rentals, location of the specific unit, amount and timing of Owner use etc. Also to be taken into consideration is the fact that certain units are specifically requested due to various factors.....location, view, etc. Last minute cancellations can also impact bookings, as can last minute room upgrade requests made upon check-in.

Owners staying in their unit during higher occupancy and rate periods will be naturally much more affected in their overall rental return than those timing their personal use during lower demand periods.

On a quarterly basis management does an overview of the various categories to see if there are any units that for one reason or another vary greatly from the average within a category. If this is evident after taking all of the above factors into consideration we try to take measures to adjust future bookings in order to normalize the performance of the unit.

We hope this serves as clarification as to why a great deal of factors lead to a variance of overall individual unit performance. The Management Company cannot guarantee the equality of unit performance.

**I had a work order to repair something in my unit, should this have not been charged to the Guest staying in the unit?**

All of us, in our day-to-day businesses need to make judgment calls on how we want to treat our customers, and this case is no different. On the rare occasion that there is a clear and evident example of deliberate damage from a guest, then the Management Company will most certainly charge the Guest for the damage. In most cases however,

any damage incurred is minimal and is not something that can be easily pinpointed to a specific guest. Often this is merely a case of normal wear and tear.

Hundreds of thousands of dollars are spent by the Management Company and Owners to build relationships with the key travel agents, tour companies and wholesalers who provide a very large part of our business. It is simply not good business for all concerned to potentially lose a booking or a major relationship over such a small dispute of wear and tear and potentially harm the properties reputation over such matters.

While we nevertheless appreciate and understand the frustrations minor repairs can cause, it is important that we look at the larger picture and respect the judgment call the Management Company makes in relation to such matters. Within reason, normal repairs become a part of doing business within the industry but the Management Company by all means will enforce and claim any damage that it feels was deliberately done by a guest.

### **What are the main sources of our rental income and what fees apply?**

While The Sands experiences a very strong returning guest base, the reality is that a large portion of the business is nurtured through relationships with the Travel Agents, Tour Companies and Wholesalers. It is important to note that in many cases these organizations control a large portion of the airlift to the Island so it is essential to be able to attract their business and we do everything possible to maintain a strong relationship and reputation amongst these agencies.

Fees and commissions to the Wholesalers and Tour companies normally come in the form of a "net" rate that they will be offered, (normally 20-25% off rack depending on the circumstances).

Travel Agents normally charge a fee based on the booking amount which is usually in the 15% range.

Direct Bookings are the highest yielding method of business, but of course it is harder to get large volumes in this manner. The Management Company is constantly trying to make its best effort to attract direct bookings as it increases the yield for both the Owner and the Management Company. This must be done carefully however, because if the Travel Suppliers mentioned above see specials etc. being offered in the market place that are lower than what they can offer, they understandably begin cutoff their support of the property and will send bookings away from properties that undercut them. It is also important to understand that the Wholesalers also often tie up large volumes of airlift and in turn can make it difficult for direct booking customers to find available airlift during peak times. Thus, it is critical to maintain a well-balanced relationship with all providers during the year.

In all cases, the Management Company is motivated to try and find the highest yielding way to attract business as these fees proportionately reduce its overall revenue for the Management Company and the Owner.

**Does the Management Company or the Developer have any Conflict of Interest with any of the Executive Committee members?**

No, neither the Management Company, nor the Developer, has any business dealings with any of the members of the Executive Committee that would in any way lead to a conflict of interest.

**Who pays for Vehicle Expenses?**

Technically, each party (Strata and Management Company) are responsible for its own vehicle expense. For example all Management Company vehicles should be paid for by Oceanside Marketing and the Strata Corporation should be paying for any Maintenance Vehicles it requires. However, the management company has allowed the strata

corporation to make use of its vehicles over the years and not charged for that usage. It does charge some fuel and repair costs but not for the vehicle itself. It may be that eventually the strata will need to acquire a vehicle.

### **Who owns the Gym Equipment?**

The Gym Equipment is owned by the Strata Corporation. The initial Gym equipment which is a Strata Corporation asset would normally be charged to the Strata Corp., however this was not done and all of the initial equipment was provided by the Management Company at no charge.

The Gym room itself is owned by the management company has been provided to date for free to the strata and owners guests voluntarily.

Replacements are the responsibility of the Strata Corp.; however the Management Company has purchased some items periodically over the years and paid 33% of the costs of the last gym renovation.

The Strata Corporation covers the daily operating costs of the gym.

As discussed in previous AGM's, the Developer would like to enhance the gym experience with a structure, similar to the Gansevoort and other new resorts. The Management Company has offered to split the cost of the new gym facility with the Strata Corp on a 60/40 basis should that facility be approved however there has not been a vote in favor of this to date. The proposed location was in the coconut mangrove next to the lobby.

### **Who Owns the Lounge and Gym Area?**

These areas are owned by the Management Company. The use of the gym area is provided to the Strata Corp. at no charge. The operating costs of the Gym are the responsibility of the Strata Corp and the operating costs of the Lounge are covered by the Management Company as it has full discretion over the use of this area.

## **Why are there only Quarterly draws if my Statement shows I have funds in my account?**

The fact that you show a positive balance in your account does not necessarily mean that the funds from your rentals have been received by the Management Company. Because many bookings are paid through travel agents and tour companies, the Management Company is forced to carry a large amount of account receivables.

This can mean that the rentals proceeds which are shown on your statement may not be actually received for 60-90 days. During certain parts of the year the Management Company can have nearly \$1,000,000 + in accounts receivable, especially near the end of busy season. This, as you can appreciate, is a large amount even if divided over the approximate 100+ owners in the rental program.

Some Rental Management Companies only report revenue on the owners statement when it is actually received in cash from the travel agents etc. We prefer to report the revenue to you when it is earned (i.e. in the month that the guest stay took place) so that you can more easily track the performance of your unit in a timely manner. This can however create a timing issue with cash flow which is why we allow for draws on a quarterly basis based on the closing balance of the last quarter reported.

## **What happens with Bad Debts?**

The Management company can deduct back rental income (the 60% portion), should a guest stay that was reported on a statement become uncollectible.

To date the management company has absorbed the bad debts that have arisen and has not made charge back claims in the past 2 decades. The attempt has been to try and make this wash into the calculation of the credit card fee assessment although that has not always been possible, however the difference has been absorbed by the management company.

It is possible, that as volumes increase, the occurrence of bad debts might rise. Should this become more prevalent, then the management company may be forced to offset bad debts back to the owner who received credit for the rental in advance. This is one of the reasons why some other resort management companies in TCI only credit revenues to your owners statements once they are actually received, and not when the guest stays in your unit to avoid this issue.

**Who pays for the Washrooms at Hemingway's?**

The cost of operating the washrooms at Hemingway's is split 50/50 between the Strata Corporation and Hemingway's. This includes items such as water, cleaning and maintenance.

**Does the Management Company share in the reservation and agent fees?**

Yes. Because these costs are deducted before the calculation of Gross revenue on your statement, these costs are in essence split 60/40. This fee is 3.5%.