



Questions and Answers

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Questions about Strata:

What are Strata Corp Related items and expenses and what are Management Company related items?

Strata costs typically will be related to items that would need to be here if it were merely a condominium. This would include grounds, pool and beach, maintenance, security and common area cleaners.

Management Company related items will predominately be those expenses that are needed to convert the property into an operating resort. This would include Front Desk, Telephone Operators, Housekeeping, Accounting, Restaurant, Retail Shop staff, Bellman, Room Attendants, Supervisors, Purchasing Staff, Reservations Staff, costs to run the offices, stores and laundry areas, administrative and executive salaries, and 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 are related specifically to the consumption and maintenance inside the specific demise 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 Owners who are elected on an annual basis by the Strata Owners. This election takes place at the Strata Corp Annual General Meeting held 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 cost 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 is there to oversee the Strata Corp (Common Area) related items. They are not involved in the rental operation. Should owners have questions/comments regarding Management related items, they are directed to contact the Director of Owner Relations.

When are the Strata Corp meetings?

The Annual General Meeting is typically held in the Spring with notice provided to owners well in advance. 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 the current Strata Corp Executive Committee Members takes place. The Agenda for the meeting is sent to all owners prior to the meeting as well as a proxy form if they are unable to attend and a voting ballot. There must 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 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 time and whoever is in attendance forms the quorum.

The Annual Executive Committee Meeting is typically held in the Fall. 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 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 the Annual General Meeting is posted on the Owner's website.

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 the expenses relating to Office and Administration Operations, laundry operating costs (power, water, propane, equipment costs etc), phone system costs (the individual unit costs are billed back to the unit owner), payroll and accounting functions, admin computer systems including

the capital cost and ongoing maintenance costs, communication costs, Owners' website maintenance, advertising and promotion.

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 pure residential only operation.

Staff required specifically of 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, reception, front desk attendants, concierge and greeters. Administrative personnel such as human resources, various accounting staff, reservations, 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 contributes 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.

Who owns the Water Sports Equipment?

The water sports 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, in accordance with the Strata Management Agreement, towards the maintenance of the equipment and labor to oversee the program.

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. An exception 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 owns the Gym Equipment?

The gym equipment is owned by the Strata Corporation and was originally provided at no cost from the Management Company.

The Gym room itself is owned by the Management Company and has been provided to date for free to the Strata Corporation and owners and guests voluntarily.

Replacements are the responsibility of the Strata Corporation. The Strata Corporation covers the daily operation costs of the gym.

What are the main details of the Strata Management Agreement with the Management Company?

The existing Strata Management Agreement (SMA) came into effect January 1, 2022, and has a term of 15 years. The contract is between the Proprietors, Strata Plan No. 25 and Oceanside Marketing Corporation, Ltd. (OSM).

The agreement covers all aspects of managing and overseeing the common areas of the property as well as the administration of utility billings, unit work order, hiring etc. The fee for 2022 was \$350,00 per annum and increases by 2.5% annually. The Management Company provides all key executive and management roles as well as related overheads. Only management and executives that specifically deal with the maintenance of the property (i.e. the Chief Engineer, Maintenance Manager) are allocated to the Strata Budget. Direct employees engaged in performing the Strata Corporation duties and maintenance are a direct cost of the Strata Corporation.

In addition, the SMA provides OSM with an Exclusive License to carry out Holiday Rentals in the By-Laws.

So long as OSM is the Designated Rental Manager and holds the License, it pays a license fee of \$60,000 annually.

Additionally, while holding the Exclusive Rental License, OSM agrees to contribute up to \$100,000 annually towards the provision of Pool and Beach towel services and up to \$30,000 per year towards the costs of complimentary watersports to guests and owners. All of the above amounts are base 2022 amounts and increase annually at 2.5%.

How often does the Executive Committee receive and review Strata Financial Statements. When are the results shared with the owners?

The Executive Committee receives financial statements on a monthly basis for the previous month. The statements are reviewed and questions where applicable put forth by the Treasurer. The reports are generally shared annually at the AGM with the unit owners once the statements are formally approved by the Executive Committee. While draft statements are not generally shared until approved by the Board, the Treasurer will do semi-annual updates about the general financial results and standings of the Strata Corporation operations.

Does our insurance include protection for Strata Fees? What about rental revenue?

At present, the Strata Corporation itself holds a business interruption policy that will cover the normal strata fee assessments for a period of 12 months should the resort be forced to be closed due to physical damage.

On the other hand, the normal insurance DOES NOT cover business interruption insurance for the individual unit owner's rental income. It is possible for the individual owner to purchase a business interruption policy and they can inquire through the accounting department on who to contact in that regard.

Does the Executive Committee receive a report of delinquent accounts. If accounts are vastly delinquent, what remedies exist?

Yes, the Executive Committee has access regularly to this information and while the vast majority of owners pay their strata fees in a timely manner, there have been instances of extended delinquency. In the first instance, the Strata has the right to assess interest on the outstanding amounts and has frequently done so. In more severe cases when delinquency went past many months, the next step is for the Strata

Corporation to take possession of the unit (i.e. deny access) and then make reasonable efforts to try and rent it to mitigate the liability. From there it can eventually apply to the court for relief and other rights to claim the outstanding amounts against the property. Delinquent accounts will be given a written warning after 60 days and if not brought current then proceedings to recover the funds will be sent to the Strata lawyer after 90 days delinquent.

Are the Strata Financial Statements Audited. What steps have been taken to look at this and/or alternatives for a 3rd party review?

The Strata Financial Statements are not presently audited. There have been several votes taken at past AGMs on this matter, but to date, the decision was not to invest the funds into a formal Audit. Quotes for an Audit were obtained in early 2023 and ranged from \$15-20K (or \$175-\$235 per owner based on 85 owners). However, the present Executive Committee (2023) is in the process of requesting a quote for a more simplified review that would be based on specific, defined review procedures. This procedure is in place for example, at the Palms Resorts for the Strata Corporation located there.

Do Executive Committee members need to attend a minimum number of meetings during the year to remain as an elected Executive Committee Member?

No, at present there is no such requirement. However, historically, attendance has been very good with a few exceptions. Thanks to modern methods of conferencing, this issue has been mitigated. Attendance in person is strongly urged, preferred, and recommended.

Do Executive Committee members get paid or expenses covered.

The Executive Committee members do not get paid for their time, but they are eligible to get a travel allowance of \$700 per meeting, to offset the various expenses of being there. For clarification, Stan Hartling has never requested or received this allowance.

Does the Executive Committee or representatives do property walks and regular meeting with the Management Company?

An annual walkthrough of the property is performed with Management and a member of the Executive Committee. This typically happens in November and a top-level action list is created which includes budgeted CAPEX items. There are monthly meetings

either in person or via a telephone call between a member of the Executive Committee and Management to follow upon the action list that was created. When on-island, members of the Executive Committee are constantly on the lookout for any other maintenance or repairs needs.

The Executive Committee invites feedback from all owners on either Strata or Management-related items. Executive Committee members' contact information is readily available.

If an owner has an unresolved issue with Management, can they bring this matter to the Executive Committee?

If an owner feels that an issue is not getting resolved quickly enough, they should feel free to bring it to the attention of any Executive Committee Member and particularly Tom McKeown at tom.mckeown100@gmail.com, or 1-416-997-7918.

Why do we not use either gas or electric powered equipment to rake the beach area for seaweed, etc. versus by hand.

The DECR, who are in charge of costal resources, strictly prohibit the use of mechanical equipment on Grace Bay for raking, cleaning, or moving sand. This not only includes a provision for fines, but confiscation of equipment. We currently have specialty Sand Rakes on order to be delivered in the 1st quarter of 2024.

Questions about the Management Company:

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. These include the laundry building area, lobby, retail area, office area and the Restaurant. Please note that fees are not paid on the basement areas that are owned by the Management Company. The reason behind this is that these areas were optionally built by the Management Company at its own expense. The buildings could have been built as a slab on grade (no basement), but the extra expense was absorbed to have additional operation areas. 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 instead of not being assessed normal fees. The second reason is that 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 the 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 program?

The Management Company has individual contracts with each owner in the rental program. 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 the 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.

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 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 program.

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.

Who pays for Advertising and Promotion?

The majority 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 and Rental Agreement to make a yearly assessment that equates to two nights' rack rate (1 high season and 1 low season rate).

This assessment typically covers less than 20% of the overall marketing and promotion expense for the resort.

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 either the Management Company or the Restaurant Company. (The only exception would be the public bathrooms, which are shared with the Strata Corp as they are used by both restaurant and resort guests and serve as the primary restroom for the pool and public areas.)

Are the Credit Card/Collection Fee and Reservation costs shared with the Management Company?

Yes. These amounts are deducted in the calculation of the gross revenue so that the cost is shared on a 60/40 basis.

Credit Card Collection Fee is 3.25%. This covers an allocation of credit card fees, collection expenses and allowance for bad debts or adjustments.

Some condo-resort rental operations do not post revenues to owners' accounts until payment is actually collected in full from the travel agent, wholesaler or online travel agency (i.e. TripAdvisor or Expedia). In many cases this can be 60+ days after the date of departure of the guest. One can imagine that this can lead to a lot of confusion

about what rental performance was at any given period. As for example, a December booking may not be posted on the owner's statement until March of the following year when it is finally paid and collected.

To avoid this issue, OSM posts your revenue to your account upon the guest departure day regardless of when the actual revenue is collected. In today's world of computer driving pricing models, it is not unusual to have rate parity disputes after the fact with the travel providers (i.e. where their computer program sees that a lower rate was offered to a competitor at a certain time prior to the guest arrival or a special rate was not entered, etc.) Occasionally, we also have had some suppliers go to a full bad debt, although that is more of a rare occurrence than the first instance.

In these cases, the amount shown on the previous owner's statement would be overstated and subject to adjustment. However, OSM tries to absorb these adjustments into the collection fee to avoid ongoing retroactive adjustments unless an amount is material. To date, no such adjustments have been made to an owner's revenue retroactively once posted. OSM does reserve the right to do so if the amount is material.

Reservation Fees are 3.5% on gross revenue before the rental split. This fee is to cover the costs of all reservation services ranging from revenue management, reservation management, phone sales, and support services for all the various travel firms and partners as well as booking engine fees. Depending on the various resort operations, some simply use an outside firm for this service or alternatively they choose to have an internal reservations team which has been our approach. We feel we have better control over the training and resort team knowledge of the property.

Revenue Management is a different task in comparison to reservation services. Revenue Management focuses on maximizing booking pace based on historical and current market analytics, such as revenue pace, timing of rate strategies and maximization of the booking matrix to leave as few gaps as possible in the arrival and departure patterns.

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

As per clause 3.1 of your Rental Management Agreement, the revenue split at the Sands is 40% to OSM and 60% to the Owner, of the Net Room Rentals. Net Room Rental is the Gross Rooms Rental less any direct expenses such as travel agent commissions, credit card/collection fee and reservations fees. The Sands is one of a handful of properties that still maintains a 60/40 split versus a 50/50 split.

As is consistent with other resorts and industry practice, Gross Rooms Rental does not include any Service Charges, Facility/Resort Fees or Taxes.

It is important to note that the commissions, credit card fees and reservation fees are all deducted before the revenue split so that OSM is cost sharing in those fees before it receives its 40% share.

Thus, the Management Company is motivated to find the most cost-effective way possible to create revenue and avoid fees wherever possible.

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 rate depending on the circumstances).

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

Travel Agent Commissions will vary depending on the type of service provider and this charge may at times be shown separately on your statement. When it is shown separately, the portion shown on your statement will only be 60% of the actual commission paid. In some cases, the travel provider will simply pay a net rental amount to the resort, taking off their agreed discount in lieu of a billed commission. In this case the 60/40 split is applied to the net amount received from the travel provider.

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 marketplace that are lower than what they can offer, they understandably begin to 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 conflicts 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 member 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 is 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 Corp will need to acquire a vehicle.

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.

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 and becomes 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/collection fee assessment

although that has not always been possible. However, the difference has been absorbed by the Management Company.

It is possible that as volume increases, 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 the owner 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 Hemmingway's?

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

Are the Owners Rental Accounts with OSM fully secured?

While OSM has always maintained a solid financial status in relation to its financial obligations over the past 25 years, from a technical standpoint it does not specifically match funds or offer a form of trust guarantee for owner account balances. Doing so would potentially create a Banking or Trust Company type of relationship which would then fall under the Financial Services Commission. It is important that the owner's rental account be treated like any other commercial trade account. Owners only need to leave a reasonable float balance in the account that covers approximately 3 months' worth of operating costs.

Why does OSM receive 40% of the rent but not incur 40% of the cost of items that might be missing or damaged in the unit?

The relationship with OSM is such that the owner for receiving 60% of its revenue has obligations to provide and maintain the unit in good condition. OSM under its part of the agreement must cover its own variable expenses that it does not have the owner split into. Where reasonably possible, if damage is major and intentional OSM will try to recover the repair costs from the guests. Owners should expect some normal wear and tear in relation to the rental process.

Questions about individual Units:

Can I rent my unit directly through a site like VRBO or otherwise?

The By-Laws of the Strata Corporation (Strata Plan #25) prohibit any owner from renting their unit for any form of "Holiday Rental" unless it is specifically done through the Designated Rental Manager using the standard form of Rental Management Agreement.

This was specifically put in place to help maintain the value of the overall property and integrity of the resort rental program by providing consistent standards and rental rates within the property. This also ensures compliance with the variant Government Tax and Service Charge Ordinances.

A "Holiday Rental" essentially is any rental that would be subject to a rooms tax under the Hotel, Restaurant and Tourism (Taxation) Ordinance 2019.

In short, any rentals (no matter the length of stay) that are not to a resident, citizen, or work permit holder on the Island for purposes of a residence, is deemed to be a "Holiday Rental". Rental of an unfurnished residence is also exempt from such tax.

Those owners found in breach of this By-Law can be subject to fines and penalties as stipulated in the By-Laws and Policies by the Executive Committee from time to time and other remedies or restrictions. See the By-Laws for further details.

How do we access the Owners' Website?

www.sandowners.com. You as an individual owner will have a unique username and password. If you have forgotten or need a new one, please contact Joan Hagan at joan.hagan@hartlinggroup.com and she will get one issued to you. Items posted are the Minutes from the Annual General Meetings, Financial Statements, Strata Corp Executive Committee Members, Insurance Coverage Documents, Newsletters, Updates, Strata Management Agreement, 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 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 a unit size with the unit size being rounded up or down. So, for example, a unit of 1,033 sq. ft. 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 unit, would be voting 10 unit entitlements while an owner that has a 1,525 sq ft unit, would be voting 15 unit entitlements. That weighs the voting towards those that pay the most into the Strata Corporation Operations.

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 of such work. The only exception to this would be major renovation items in which case the Management Company would have the right to charge a 10% fee 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 to date as a gesture of good faith.

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

Yes, this is true but please factor in what is involved in procuring that appliance and getting it to the island. You have someone to source the item for the best prices for the best quality, shipping to the freight forwarder; freight to get it to the island; customs processing fee; 30%+ duty; delivery to the resort; installation. The Management Company does incur the cost of procuring and the inventorying of a backup 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 cost 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 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 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 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 drops as well as lightning. Please also consider that Smart TV's can be an enormous burden on the overall internet service to the property. Wi-Fi bandwidth is extremely expensive and limited on the islands in comparison to North America.

How are utilities billed to 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.

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 \$.04 per gallon.

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 is then used as the basis for the allocation of the power and water charges on your electrical and/or water meter at any time or the Management Company can send you a picture of the present reading.

How many Comp nights are allowed in my unit annually and what are they used 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 Society, 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 annually.

How is my unit rotated in the Rental Program 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 Night 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 the lowest number of Occupied Room Nights will be given 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 the best attempt 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 in to 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 a 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 judgement 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 or negligent 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 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 property's reputation in such matters.

While Management nevertheless appreciates and understands the frustrations minor repairs can cause, it is important that we look at the larger picture and respect the judgement 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.

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 rental proceeds which are shown on your statement may not be received for 60-90 days. During certain parts of the year, the Management Company can have nearly \$1,000,000+ in accounts receivables, 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 owner's statement when it is 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.