

Strata #50 Annual General Meeting
Saturday, June 9, 2007
The Regent Palms

The Annual Board Meeting was held June 9, 2007 at The Regent Palms.

In Attendance:

Board Members:

- Tim Webb, Chairman (TW)
- Stan Hartling (SH)
- Catherine Caldwell (CC)
- Tim Webb (TW)
- Doug MacKenzie (DM)
- Peter Kirby (PK)

The Palms:

- Darren Law, Managing Director (DL)
- Lou Gentine, (LG)
- Susan Turcotte (ST)
- Christine Nuyen (CN)
- Michael Frolick (MF)
- Dave DeVries (DD)

Regent Hotels:

- Diderik Van Regemorter, General Manager (DVR)
- Jennifer Wardle, Owner Relations Manager (JW)

The meeting was opened at 8:30am with a welcome from Chairman, Tim Webb.

- Tim Webb– Speaks about the value of the units.
- Experience at The Palms is far exceeding expectations
- Rental income – keeps improving and has meet my expectations
- Expenses – More than expected but valid
- Strengths of the Regent Palms - Best in class on island
- Friendly, Professional, the Design, Spa is great, Regent Management is doing a good job.
- Challenges - Maintenance & upkeep, Wear & tear on Pool & Beach
- Threats – Competition. We need to stay ahead of other hotels.

Goals as the Board:

- Protecting our investment & increasing value of investment
- Assisting the Regent Palms
- Enjoyment of the Palms

Tim Webb (TW) asked if all were in favor of approving the minutes. A show of hands was requested of those present and unanimously accepted.

- Budget 2007 vs. YTD. \$21,000 above budget
- Strata Fee Reserve \$1,625,778
- Payroll Expenses (\$347,591)
- Other Expenses (\$1,236,343)
- Income \$22,494
- We anticipate that our budget will be met & we will have a positive at the end of the year. Excluding insurance.
- The Management Company & Stan Hartling (SH) is entitled to take 17% of operating expenses. They absorbed the increase of the insurance this year and didn't take the 17%. It was approx an extra \$40,000

2007 YTD Major Variances:

Elevator - \$11,216	
Sewage - \$11,000	
Pool – \$17,600	
Energy - \$8,800	
Insurance - Anticipated \$634,000	
Actual \$772,000	\$138,000

Regent Manager had made up the money in other areas to compensate

Maintenance Issues

Building Maintenance

- Discoloration on the buildings.
- The preventative maintenance. DVR has set a team out to clean and sealed most of the buildings. Where they have sealed it, the black markings have not come back as much.
- Due to weather & construction of the building this will always be on going
- Preventative maintenance. Installing scuppers & awnings in various places to mitigate the problem. It will not eliminate the problem however it will help.
- Awnings. A test awning will be installed in the centre of building 3. It's made of illumine. We will try the awning and see how it looks. If successful will go ahead with more.
- Scuppers will be the main solution for the front of the buildings
- Coral render you can seal however stone is porous and will absorb also it is not sealable. It would always need to be cleaned. It stains.
- Sealers help more for the dampness
- Constant flow of water e.g. Roof water, will always need cleaning
- Stone is soft so it needs to be done by hand. Power washer would carve away at the building.
- After 2 weeks of rain in May it showed us that the areas that have been sealed did hold out longer than those that weren't

- Cherri pickers were looked at however we can not get them into the building areas. It was \$82,000. We have decided on scaffolding and man power.
- The developer has agreed to pay 1/3 of some of the preventative maintenance. They are handling the excessive areas.
- The developer will pay 100% of permanent solution. In saying permanent, is to say within reasonable measures. There will always be some cleaning required which is to be expected.
- The developer will only pay 1/3 of preventative maintenance until the scuppers are installed as a permanent solution.

Elevators

- Diderik has put together a prevent program with a elevator company & critical parts
- Appearance – Trying to find a way to keep the look of the lift cab.
- Looking at stainless steel solution
- Maintenance is touching up cabs with paint at the moment
- LG - Does elevator have emergency lighting in power outage?
- DVR - We have never had any problems. They should return to the floor. There is a battery pack that brings it to the first floor and opens the door. There is also meant to be an emergency light
- Diderik will double check on emergency lighting
- The board decided to inspect an elevator cab at the board meeting and it was agreed that they would like to keep the original ambience of the elevator cab with the existing mirrors and wood work. SH proposed to install stainless steel frames elevated a little from the wood work frame to help try and protect the wood while also being able to keep the current look and feel of the elevator. Diderik is to get a quote for the stainless steel

Capital Expenditure

- Current reserve is \$240,000
- Builds at approx \$19,000 per month
- 2007 anticipate expenditure \$70,000
- Anticipated Capital expenditure Approved \$70,000

Approved items

- Landscape Lighting
- Elevator improvements
- Building Pool Kiosk
- Replacement of P&B furniture

Miscellaneous Items

- DVR – Also looking at enhancing the arrival experience at the entrance of the property. Possible installation of a fountain.

Lighting

- Lighting, especially in the back of the building and the restaurant. The main through-fare. The front of building 5 has been done also as guests were constantly commenting on how dark it was.

Plan on doing lighting over time & the parking area is the priority area. Not only for aesthetics but also for security

Pool Kiosks

- Pool Kiosks will be to provide our guests will better service
 - 1 to replace the station by the pool
 - 2 at each end of the beach. They will have a cover that is a suspended large sized umbrella. Operations is picking up 50% of the expense

Pool surface area

- Surface around the pool. It will be done. New surface treatment that is similar to a rubberizing of the surface. We have asked the company to come out & visit however they have not had time. We have sent them our dimensions and are waiting to move forward with it. Waiting on more information, a bid and references
In the mean time we could apply something similar to Sport Court
- Are there still plans to cover Plunge?
- SH is still working on it. Had a design style however now if there is too much wind and to anchor it would be too hard. The ground we have existing will not anchor it. SH is still looking into solutions. If we can not find a cover, a possible solution would be a mister to keep people cool. Concerned about what it would look like to look down on as a structure. The top of Plunge needs to be re-done. DVR. Should happen approximately at end Aug/ Sep. We are waiting for the occupancy to be lower.
- Grill down at the beach area?
- Regent has a retained a group that visits the Food & Beverage concept and is coming down soon. They have a concept that includes a BBQ area. They are coming out to make sure that the food concept runs with the rest of the hotel. Getting a proposal that includes some development is Plunge. Once we have a concept agreed upon it will be relayed to the Owners & Owners will be informed & once it gets to constructional stage Owners will be notified and involved. Still just at concept stage at the moment.
- We now offer box lunches on the beach. We are trying to find ways to alleviate waiting.
- SH. We need to have the design team establish a protocol that all ties in together. Uniforms, Music, Food. Timing of other restaurants openings

Threats to Facility - Looking to keep ahead of the competition.

Owners billed directly

New Electronic Locks

- Electronic locks on the doors. Will only be installed on doors that directly open onto an elevator landing. They have been ordered.
- Will not be installed on internal bedroom doors due to the aesthetics
- Closers will be put on all the doors as well
- Approx \$800 - \$1000 per Owner
- Unit updating will eventually need to be done

Espresso Machines

- Approx \$850. Will only be installed in the suites not in the lock outs
- The existing coffee machines will remain in the rooms
- 3 different flavors of coffee in specially designed boxes.

Full length mirror

- Will be installed on the inside of one of the closet doors of every unit.
- Approx cost will be \$150 each

Drawer space?

- It is an on going project. There are a lot of challenges and we will be look further into it

Capital Reserve Study

- We need to build a capital reserve to help maintain things that will eventually need replacing. E.g. Sewage plants etc
- Catherine Caldwell presented some calculations that she had prepared to establish a long-term reserve fund. Two classes of reserves will be established. There will be a Reserve for Major Expenditures, which she defined as those typically of a mechanical or structural nature that will be incurred in future years. The second class of reserve is the Reserve for Capital Expenditures, the level of which will be established on an annual basis. This reserve would be used to fund capital items purchased or on-going significant repairs such as elevators, pool etc.

Catherine's model used the current budgeted expenditures as her basis for the calculation. Her results were compared to hotel industry standard, adjusted for Strata versus Owner type of expenditures. The key assumptions made in formulating the model were:

1. The current reserve level of approximately \$240,000 would fund the balance of current year capital expenditures and any major expenditures within the next 5 years.
2. The reserve funds would be segregated and invested in term deposits, or an equivalent investment instrument. An investment rate of 4.5% was assumed.
3. The Reserve for Major Expenditures would increase by 3% per annum.
4. The Reserve for Capital Expenditures would be reviewed and assessed annually. For the upcoming year it was set at 2.5% of budgeted expenditures. This equated to approximately \$74,000.

Three different scenarios were presented with extrapolated calculations. It was agreed that the scenario representing a unit entitlement assessment of \$1.63 per unit entitlement in 2007, invested at 4.5% and factored for inflation at 3% per annum would achieve the objective of establishing a well funded reserve, equivalent to industry standards. This assessment will fund both of the reserve for Major Expenditures and Capital Expenditures.

The current unit entitlement assessment is \$1.00 per unit entitlement. Based on this model, owners will be assessed for the reserve fund contributions over the next five years, based on the 3% inflation factor for the Reserve for Major Expenditures as follows:

YEAR	2007	2008	2009	2010	2011
Reserve for Major Expenditures	\$1.29	\$1.33	\$1.37	\$1.41	\$1.45
Reserve for Capital Expenditures	\$.34	\$.34	\$.34	\$.34	\$.34
TOTAL	\$1.63	\$1.67	\$1.71	\$1.75	\$1.79

The 2007 assessment rate will take effect on July 1, 2007.

PK – Sommerset.

- We need to give them notice of default for not paying sewage plant bill
- They owe us \$68,000 from last year alone
- SH If we don't have resolution by June 30th we will proceed with legal action automatically.

- Re-imbursement of expenses and collectively maintain sewage plant
- PK motioned to give Sommerset notice of default SH seconded the motion

Re-election

- The current board is re-elected

The meeting is officially closed 10:10 am

Questions & Answers

SH – Taking PPC to court. \$240,000 in difference in billing. When we win the money, it will come back to the Strata, Owners & Management team depending on who has paid what bills

LG – *Would still like to see a cover for the balcony's. Thinks there should be something that is aesthetically functional & more productive for guests to be able to use balcony's in all weather & furniture not getting wet.*

TW – As long as the board agrees with the esthetics and the unit above agrees and LG is personally willing to fund it, he is welcome to go ahead.

DM – Has found that it does not help the front verandah

LG – Wants to have someone out to have a look

SH - Has no problem with it as long as it doesn't look too different from the beach

LG – *The deck furniture. It is not great for outside.*

DV – It's the best outdoor furniture available on the market today. Fastest drying and top of the line. The problem is circulation of air and humidity will make it take a little longer

LG – *The pod cushions have deteriorated and looks bad. It is discolored and looks bad*

DV – Working on all pool and beach furniture. Ordered new fitted covers of high quality cotton, ordered new chairs and cushions as well as umbrellas at incredible savings by going direct to the manufacturer in Indonesia.

LG – *Garage areas. Wondering if there is any way that the garage doors used for storage could be closed after use.*

DV – We need to police it more and teach people to close the doors after them. Totally agree and will strive to achieve this.

Next Board Meeting will be December 6th. 2007

AGM will always be the 2nd Saturday in June

Susan Paulson requests real estate sales to be on website. SH agrees to look into it