



Strata #50

**Strata Board Meeting
Friday, December 5, 2008**

In Attendance:

Board Members:

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

Regent Hotels:

- ☐ Monica Neumann, General Manager (MN)
- ☐ Jennifer Wardle, Owner Relations Manager (JW)
- ☐ Patrick Van Hamme, Financial Controller (PVH)

Welcome and greeting by the Chairman

The meeting was opened at 9:15am with a welcome from Chairman, Tim Webb and thanks and welcome was given to Monica Neumann for all the work done before and after the hurricane.

Approval of minutes – June 2008 Board Meeting

Tim Webb (TW) put forward the motion to approve the June 2008 Board Meeting minutes; motion was approved and seconded by PK

Strata Operation Review – Reporting until 31st Oct 2008

Building Maintenance & Hurricane expenses – update

- Pool furniture needs to be charged to Capital expenditures.
- Hurricane costs should be placed into Major Expenditure. PVH is still going through all the invoices related to the hurricane charges for the property. The Owners will have no extra charges towards hurricanes repairs besides the repairs done in their individual rooms. There are enough funds in the CAPEX to cover the charges.
- Landscaping charges were split 1/3 with the resort and 2/3 with the strata

Financial review – 2008 year-end outlook

The Forecast 2008 can be viewed in detail on the Owners website www.palmsowners.com

- The Forecast for 2008 after reallocation of some expenses to the Reserve fund is projected to be a slight profit.
- There will be no special assessment for the hurricane repairs.
- The main maintenance revenue is up mainly due to the installation of hot water heaters this year.

Strata Fees

SH discussed the strata fee per sq footage with PVH and revised the figures. A comparison was done to other local hotels including, Grace Bay Club, Point Grace and Somerset and it was found that our Strata fees are in line and extremely competitive with other local hotels.

Grace Bay Club	\$15.00+ sq ft
Regent Palms	\$14.78 sq ft
Somerset	\$20.94 sq ft (*includes an estimate of a special assessment so higher than usual)
Point Grace	\$14.60 sq ft

Operating Strata fees exclusive of Reserve fund contribution;

The Regent Palms 2008

Strata Fees \$10.40 per sq ft

Insurance \$4.38 per sq ft

\$14.78 per sq ft

The Regent Palms 2009

Strata Fees \$10.77 per sq ft

Insurance \$5.09 per sq ft

\$15.85 per sq ft

Reserve fund per sq ft is \$2.01 for both reserve funds in 2008.

Reserve fund per sq ft is \$2.06 for both reserve funds in 2009.

Overall, the Board is pleased with the control of expenses considering power & shipping cost increases.

CAPEX 08

Reserve Funds

We are \$28,000 below budget. MN There are some items that were part of the CAPEX budget that were not completed. Upgrade of the dunes, boardwalk and elevator cabs. If these items were completed, we would have been over by approximately \$50,000.

Pool – Update

The approved quote for the pool repairs was \$127,000, of which \$70,955 (includes \$6,137 for pool pump, duties and freight for same) has been expended to date. Further payment is being withheld until the repairs, as discussed below, are rectified and completed properly.

There are problems with the work that was done on the pool. Patches are coming away from the bottom of the pool and chipping off. MN – At the time of the repairs it seemed to be coming along fine however they were always off with the amount of time they predicted to complete the job and the issues did not start to show until they started to fill the pool. The work did have to stop and start because of the Hurricanes. All care was taken when selecting the company (XMC Caribbean) and their references were checked. They are an established pool firm from the Bahamas who have carried out extensive work on large scale luxury resorts.

A discussion was held about how to move forward with the pool. Clearly there was negligence by the Contractor (XMC) and a discussion was held whether or not we should go to litigation. Coxco verified that the job was not done properly and the contractor, XMC Caribbean, is also clearly accepting responsibility. They acknowledged that the job was not done right and they want to fix the problem as they do not want to ruin their reputation. This issue, however, is when can the work be done with minimal disruption.

Regent will follow up. The Board is to get together again and make a decision on how to move forward and make a decision when to have the repairs taken care of. We may need to do the pool in season depending on how quickly the pool coating lifts and the damage sustained by the pool. We need to find out what time frame we have until it lifts. The goal is not to have to do any repairs during season.

SH – Suggested that we could possibly place something decorative over the swim up bar areas where the pool coating has lifted to provide more time to extend to a more seasonable time of year to do the repairs. Perhaps there is an underwater epoxy we could use and place underwater mosaic mats if it's a defined small area.

The pool company needs to be a part of any decision to keep them liable for all costs, including start up chemicals and business interruption costs.

The Board will be involved in the decision as to who will complete the repair work.

TW- Coxco completed the job with the pumps so the infinity part of the pool is working again and the leak has been stopped. We need a written confirmation from XMC acknowledging the defective application of the pool finish, an explanation of why it failed and a proposed resolution. Then we can decide how to move forward. If they don't know where the problem was then we need to look at someone else, explore possibilities of legal recourse in order to get our money back and decide an alternative course of action. The reality is, however, that it is much more cost effective to let them remedy the matter as soon as we can reasonably accommodate the work. MN to draft letter.

SH – We need to ensure that the Pool & Beach staff is monitoring the pool chemical levels and that we are keeping a log in case any guests ever have an issue we will be protected.

Reserve Review

PVH discussed the Reserve Review

It was discussed whether to invest some of the reserve fund into some sort of investment account to earn more interest, however considering the current economic situation the idea was declined. It was agreed to leave the funds in a regular term deposit at First Caribbean.

FORCAST 2008

- Capital Expenditures: \$0.34 per entitlement
- Major expenditures: \$1.29 per entitlement
- The available reserve funds as per October 31st, 2008 are the following;

Capital expenditures: \$57,065.74

Major Expenditures: \$391,190.00

Total: \$448,255.74

Review and Approval of 2009 Proposed Budget

PVH reviewed the budget. A copy of the Budget is to be posted on the Owners website for more details. (www.palmsowners.com)

Budget 2009 was projecting a shortfall of \$45,000 keeping the same Strata fees as in 2008. In order to compensate, strata fees have been increased 3.6% in order to get a break even result in 2009. Doing this, the operation result is \$3,503 positive.

- Insurance is going to go up because of the recent Hurricanes.
- 5% Deductible the rates are now approx \$1.02 (get rest of info from PVH e-mail)

Insurance

- Liability insurance will remain the same.

SH would like to understand why liability insurance premium verses the coverage is so high as we have never had any claims. SH – Requested more information on the liability insurance and for PVH to do some competitive costing. He would like an explanation from Regent as to why it has gone up so much. PVH to follow up. SH made a comment that he believes we have more insurance coverage than we need. SH would like to compare our amount of coverage with other resorts. He mentioned that he understood that many carry \$20 million coverage. Inquiry to be made with an independent party to do an assessment to see what a reasonable amount of coverage is.

- No change in current assessment in CAPEX.
- 3% increase on Major Expenditures as per planned.

Assumptions - PVH

- Security is going up 4.9%. Within 2008 we had no Security manager for 3 months
- Work permits are approximately the same as previous year
- Landscaping payroll has been reduced by \$13,000 due to a reduction of hours to 6 hrs per day and cut in staff. Reduced by 4%
- Maintenance supplies will decrease slightly due to water heaters being installed in 2008.
- Pool & Beach staff have been reduced to working 6 hrs per day in order to bring payroll down by \$13,000
- Increase in Strata fees by 3.6% in order to reach a break even result in 2009
- Major Expenditure fund to increase by 3%

- CAPEX Reserve - \$1.33 per unit entitlement for Reserve for Major Expenditures & \$0.34 per unit entitlement for Reserve for Capital Expenditures

TW - Motion to approve the 2009 budget. PK & DM second the motion

Review and Approval of 2009 CAPEX Plan

Amendments to be made to CAPEX:

The 2008 & 2009 pool repairs, exclusive of the 2008 Pool Pump expenditure of \$6,137, will be moved from Capital Expenditures to the Major Expenditure Reserve. Accordingly, expenditures of \$64,818 from 2008, which include start up chemicals, consultancy and repairs, along with the balance of the approved expenditure (approximately \$62,200) will be charged to the Major Expenditure Reserve.

There were some items on the 2008 CAPEX which did not get completed and will be moved to 2009. These include the following;

- Boardwalk \$20,000 – CAPEX 2009
- Dune renovation \$10,000 - CAPEX 2009
- Pool furniture \$10,000 - CAPEX 2009

As planned, the second phase of the outdoor lighting project will go ahead as budgeted, \$40,000

Other items to be researched further;

- The replacing of any damaged trees & the perimeter hedges.
- The grass on the croquet lawn and seeing if it's condition can be improved.
- The driveway & the coral render pathway bricks need addressing.
- Gym equipment allowance to be added to Capex budget to purchase an additional treadmill. Brand to remain the same (Cybex)

TW Made a motion to approve the Capex totals. PK & DM seconded the motion

Somerset Update

- A notice of default was sent at the beginning of December for outstanding arrears

- Notice of default should be sent 30 days after payment is due. These must be kept current.
- If further payment has not been received by March 4 we will discontinue their service.

Other Discussions

Scuppers

- Some of the Scuppers still haven't been completed. Steve Martin is to be contacted to get a quote to complete the installation.

Meeting adjourned 1:30pm

Subsequent to the adjournment, the Board discussed the ultimate refurbishment of the units.

- Develop some recommendations and get some suggestions on the table so Owners can start to plan for it. Duesing did a proposal but the quote was very high. It was suggested to go back to Duesing and see if he is willing to negotiate doing something for less.
- SH suggests interior designer he is using for Shore Club as an alternative.
- We have postponed the refurbishment for 6 months based on the economy. The management company and the Board will meet again to discuss this topic further at a later date.
- It was discussed organizing a separate design committee within the Ownership.

After the meeting the Board invited in house owners to attend a question and answer which was attended by Mr. Bigelow and Mr. Gentine. Areas covered included review of cost sharing and an overview of items covered during the Board meeting.

