

THE
Regent
PALMS
TURKS AND CAICOS

Strata #50

**Strata Board Meeting
Thursday, December 6, 2007**

In Attendance:

Board Members:

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

Regent Hotels:

Diderik Van Regemorter, General Manager (DVR)
Monica Neumann, Regent Regional Operations (MN)
Jennifer Wardle, Owner Relations Manager (JW)
Patrick Van Hamme, Financial Controller (PVH)
Bill Lloyd, Corporate Financial Controller (BL)

Welcome and greeting by the Chairman

The meeting was opened at 12:15pm with a welcome from Chairman, Tim Webb.

Approval of minutes – June 2007 Board Meeting

Tim Webb (TW) put forward the motion to approve the June 2007 Board Meeting minutes, motion was approved and seconded by PK and CC.

Strata Operation Review – Reporting until 31st Oct 2007

Building Maintenance – update

Building facades and scuppers

Per DVR, scuppers are being installed as occupancy permits. Completion expected at the latest by next summer. This project cannot be done during the high occupancies of season however we will endeavor to complete most in the first 2 weeks of January 2008 when we expect slower business. This will definitely help but will not totally eliminate the problem. Coral Stone and Coral render are a product that eventually darkens from moisture so the buildings will still need

washing once a year which is normal for coral render. Sealant is being applied to the facades as the scuppers are installed.

Elevators - update

The mechanical repair project has been completed. At this stage, short of changing all of the engineering, what could be done has been done and the elevators will work as well as they can within their restrictions. We are now on normal maintenance contract. As far as the refurbishing of the cabs is concerned, it appears as though local fabricators are not ideal for the work we have in mind. A US based firm will need to send a specialist in to do a proper measurement of the required stainless steel fabrication. SH will contact our Architect for references. In the meantime, we are having special covers made for the bell carts as soon as our tailor is available.

Maintenance Espresso System - update - It has been installed and has been in use for several months. The last piece being the direct communication system through digital paging is being worked on.

Somerset payments - update

Somerset has paid us for sewage system service up to and including September 07. They are now being billed monthly. We have however not billed them for the contracted capital reserve fund. This will go into the billing at the end of the year both for 06 and 07 and annually thereafter.

Pool & Beach – pool leak update

We have had 2 companies quote to fix the pool; both quotes exceeding \$40,000. Given the size of the expense, we decided to invest in our own fiber optic camera system to investigate the pool's piping and pinpoint the exact location of the leak. Then, if at all possible, we will fix the leak ourselves. Cost of the equipment was around \$14K with the idea that these costs could eventually be recovered by renting to others on Island. In any event, we are cost sharing the machine with The Sands.

Financial review – 2007 year-end outlook

Revenues

By the end of 2007, total Strata Revenues will be up from budget by \$388K. This is mostly due to:

- Insurance assessment – up by \$137K, however this is offset by an equal increase in Other Expenses
- Capex Reserve – up by \$71K from the approved increase in reserves for major improvements started in July 07 (\$.63 per entitlement increase)
- Maintenance revenue – up by \$118K also offset by an increase in maintenance costs and parts
- Utilities revenue – up by \$70K

Expenses

By the end of 2007, total Strata Expenses will be up from budget by \$420K of which \$75K in payroll and \$345K in Other Expenses:

- Payroll
 - Security under budget by \$37K – we were short in that department most of the year and had to hire an outside company to support
 - Maintenance over budget by \$48K - After further review of the contract between Hotel and Strata, we realized that Grounds Maintenance expenses were to be split 70/30 unlike Engineering expenses that are 90/10. A correction was put through. Increase in engineering wages is a direct reflection of increased engineering revenues.
 - Pool and Beach over budget by \$73K, the result of unknowns during last year's budget session.
 - Common area better than budget by \$8.7K
- Other Expenses
 - Insurance assessment over by \$137K
 - Capex assessment up by \$71K
 - Maintenance supplies up by \$77K
 - Elevator repairs up by \$55K

Profit

We expect to end the year with a profit of \$33K

Reserve account

Reserve Account Interest- The new additional reserve account for the major improvement has not yet been set-up with the bank. We are still awaiting feedback from the bank on this issue. Until then, it has been suggested to secure a 30-Day interest bearing certificate of deposit. Request for this to happen within 30 days by TW.

CAPEX 2007 (Expenditures)/ Reserve Review

Increased Landscape lighting

Completed behind P23. We would like to complete the entire property and have received a bid for around 100K. We now await for this bid to be structured by areas so we may proceed one area at a time as funds become available over the next few years.

New upgraded pavers

\$8K had been reserved for this project. It was under estimated and the monies were re-allocated to the purchase of the aluminum scaffolding for the cleaning of the buildings and windows.

Concierge desk

We have not proceeded with this project as it is part of a much bigger undertaking for the front office.

Signage

\$7.5K total. Nothing has been done with that at the moment. We would like to create signage for the Spa & Tennis Court on the hotel grounds. The signage would be prorated with management company based on it's application.

Elevator Interior Cabin Upgrade

\$45K – we have not yet proceeded with this project. A professional overhaul by the elevator company is much more expensive than the monies reserved however it is the opinion of the board that a less involved upgrade would suffice while maintaining the expected appearance.

Cooling towers

\$4K of un-budgeted funding was used to replace fan blades for the cooling towers.

Around the table discussion

(SH) – Proposal to change the nomenclature used to refer to the various reserve funds (Capital Expenditures & Major Expenditures) as follows:

- Current Year CAPEX (formerly known as Capital Expenditures).
 - This fund would address known and needed expenses of a capital nature that are to occur in the next 1 – 3 yrs. Examples would be: pool furniture, elevator refurbishment, vehicles. For this fund we expect a \$180K carryover.
- Long term major capital (formerly known as major expenditure fund).
 - This fund would support long term unexpected expenses of a major nature. Ideally, except for unforeseen disasters, this fund would not be touched for a decade or more. It could be looked upon as insurance fund. In this fund we expect a \$146K carryover.

Review & Approval of 2008 CAPEX Plan

Landscape lighting

We have received a quote of \$97K for the total project. Understandably, we cannot proceed with the entire project at once and will prioritize based upon the following 3 criteria:

1. Safety & Security:
 - a. Parking lots and walkways should be first priority; \$20 - \$25K estimate to do both parking lots.
2. Customer impact:
 - a. Entrance to the resort to enhance the guest's sense of arrival; \$14K estimate
3. Decorative:
 - a. Other areas

Quad Bike

Request to purchase a small quad bike (ATV) to rake the beach. (SH) informed that he had purchased a tractor and special hopper for complete beach cleaning for his new project on Long Bay and stated that it could be utilized by the Regent Palms when needed as long as operating costs are covered. DVR noted that this equipment is for major beach raking and seaweed removal and that the daily needs of raking and grooming the sand in front of the property will not be met. This is presently done manually by several grounds staff and takes a lot of labor. \$10K approved.

Water sculpture/ fountain to replace the large planting on the driveway.

Estimated cost \$28K although we have no quotes at the moment. (SH) – reminded all that running a fountain is very expensive in power consumption, possibly upwards of \$30k yearly. The original intent of the plantings at the top of the driveway was to prevent the headlights of arriving vehicles from blinding restaurant guests across the courtyard. A little more research is needed and we may want to consider approaching this project in two steps

Elevator Interior

Nothing more than touch up painting has been done so far. We will continue with the proposal that was put forth last meeting and use the services of a professional fabricator. (SH) will work with Raphael on selecting a reliable outfit. Overall budget of \$4,000 per elevator for a landed total of \$40K.

P&B Furniture

The first shipment of pool furniture has arrived and will be put in place. Given the continuing degradation of existing furniture and the need for additional lounging chairs, we will need another 30 umbrella's, 30 pool chairs, 15 beach cabanas and 30 beach chairs. Estimate \$40K.

Pool repairs

We need to re-do the marble coping and tiles around the pool. This work involves emptying the pool and consequently needs to be strategically planned to occur during the lowest occupancy month. To avoid having to close the hotel or lose too much business, we will most likely need to drop the room rates substantially during those days as well as advise guests in advance. (SH) Suggests we contact the same contractor that did The Sands.

East & West Boardwalk Maintenance

The board walk is in disrepair and presents a safety hazard. Several boards may need replacing, there after the boardwalk will require on going maintenance. Materials needed for this project are very expensive since we are using a specific type of wood. (SH) will assist in securing a quote for that amount. If not it will come back to the Board.

\$20K Allocated

Upgrading the landscaping on the dune in front of buildings 1, 5 and the pool.

Proposal to plant the entire sandy area in front of buildings 1, 5 and the pool with sea oats to obtain uniform landscape. We have been quoted mature Sea Oats at \$5.50 per plant. This is too expensive given the thousands we need to complete the project. We decided to use seedlings and let them grow. Cost per seedling is about \$1.00. We will need between 1500 and 2000 at first estimate. \$10K approved

Summary of Board Approved CAPEX Strata Budget 2008

- Outdoor lighting package and water sculpture for driveway = \$40K
- Quad bike = \$10K
- Upgrade of elevator cab interiors = \$40K
- Additional Pool & Beach furniture = \$40K
- Re-do pool, marble & tiles = \$40K
- East & West Boardwalk maintenance & reconditioning = \$20K
- Upgrade of natural landscape on the dune \$10K
- Contingency Fund = \$20K
- **TOTAL \$220K**

This leaves the year end at \$67K.

Individual Owner expenses

Owner Expenses part of the original switch to Regent will also be finalized in 2008. This includes Electronic Locks, Compendium Sets, Turn-down tray, Radio, Espresso Machine, Mirror and other miscellaneous items.

Note

We need to keep in mind we are soon losing our special duty exemption. Diderik will compile a list of those items expected soon and file with the government to extend the exemption if possible.

Operational Budget 2008 review and comments

ADMINISTRATION & GENERAL

Revenues

- Revenues are up by \$ 149,000 or 4.35%
 - o Increase in Capex Reserve \$84,000 - Starting July 2007 an extra reserve for major expenditures was created; it raised the total reserves from \$1.00 per entitlement to \$ 1.63. This has no impact on the Strata results since the same amount is budgeted in expenses.
 - o Insurance Revenue is up \$51,000 or 7%. It is to be noted that in 2007, the Strata Management fee of 17% had been based on an Insurance Expense of \$400,000 instead of on the total amount of \$704,000. This was a one-time only exceptional concession.

- Maintenance Revenue is increasing by 3% or \$8,000 as a result of the increase in occupancy.
- Power increases by \$5,000 as we expect higher costs in 2008 upon which the 10% mark-up is assessed to cover potential losses on the lines.

Expenses

- Payroll expenses increase by 4.8%. This increase is in Security wages where we expect to have full coverage for the year whereas in 2007 we had uncovered positions.
- Management fee increases by \$51,000. This is calculated as 17% of all assessments; the latter having gone up due to insurance increases.
- Capex Reserve does not impact the Strata results. The same amount is budgeted in revenues.
- There is not increase in Strata Fees for 2008.

MAINTENANCE

Expenses

- Maintenance Payroll expenses are at the same level as in 2007. (Please note that monies listed in '07 under maintenance contracts should be included as part of payroll as they account for buy-out labor)
- Grounds payroll expenses are up 8% to account for all positions covered and a wage increase taken in late 2007.
- Sewage plant payroll increases only reflect the Strata portion of 1 employee, 8 hours per day, 7 days per week.
- Other Expenses are decreasing by \$ 84,000, mainly due to 2 areas
 - Elevators costs where we had one-time repairs
 - Maintenance contracts representing buy-out labor in early 07 now moved to actual payroll

POOL AND BEACH

Expenses

- Payroll shows a slight decrease as we expect to involve less overtime in 08 given that we will be at full staff.
- Other Expenses increase 5% simply reflecting increased shipping and product costs.

COMMON AREA

Expenses

- Payroll shows a slight increase to cover the wage increase taken late 07
- Other Expenses remain flat and represent allocation for cleaning supplies

Motions

(TW) – put forth a motion for the approval of a \$220K Capital Expenditure to be approved. (PK) approved, (CC) seconded the motion.

(TW) – put forth a motion that the budget with the modifications to be accepted. Modifications make gross Operating Profit for 2008 \$76,613.03. (PK) approved, (CC) second the motion. The assumption that has been made is that electricity will go up 5% however if it goes up more than that we will reassess the amount.

New Business

What are we doing for Insurance renewal?

It has not been addressed as yet. (PVH) & (DVR) are to look into the insurance renewal further. For Liability insurance we will go through Carlson. For Property Insurance we will need to shop the market. SH is happy to cost share the insurance shopping fees and suggests doing it soon

(TW) – The Letter from Mr. Lou Bellotti to the Board was reviewed. The Board will respond to Mr. Bellotti.

(DVR) - Presented pergola cover plans on behalf of Lou Gentine.

(TW) – Motion to close the meeting. (SH) approved to close, (PK) seconded the motion.

Meeting officially closed at 4:50pm