

Annual General Meeting

Proprietors of Strata Plan #50

Friday, January 24th, 2020 at 1:00pm

The Palms, Messel Ballroom

Meeting Attendees

Owners

Luciano Del Signore (LDS)	Lynda Cooper (LC)
Catherine Donaldson (CD)	Oded Levi (OL)
Paul Donaldson (PD)	Barry Seidler (BS)
Catherine Caldwell (CC)	Pam Seidler (PS)
Madeline Francke (MFr)	Erica Nappo (EN)
Philip Wood (PW)	Peter Kirby (PK)
Peggy Wood (PW)	Carol Kirby (CK)
Steve Newby (SN)	Johanne Elbertse (JE)
Barbara Newby (BN)	David Hoffman (DF)
Jay Vincent (JV)	James Furcolow (JF)
Brandi Vincent (BV)	Maria Furcolow (MF)
Lou Gentine (LG)	Martin Schoffel (MS)
William Solomon (WS)	Jim McDonnell (JMc)
Christy Solomon (CS)	Steven Merkt (SM)
Robert Willett (RW)	Doreen Merkt (DM)
Melissa Willett (MW)	Robert Bayly (RB)
Robert Jones (RJ)	Janette Bayly (JB)
Rob Rouleau (RR)	Bernadette Hunt (BH)
Steve Nash (SN)	Cheri Nash (CN)
Barrie Romkey (BR)	Lynn Romkey (LR)
Sheron Hoot (She)	Rob Lawrence via Zoom (RL)

Board Members

Jim Nappo, Chairman (JN)
Stan Hartling (SH)
Ken Rubin (KR)
Hal Francke (HF)

Jeff Morgan, General Manager (JM)
Butch Clare, Owner Relations Manager (BC)

Hartling Group Representatives

Tracy McKenzie, Group Financial Controller (TM)
Dennis Voves, Chief Engineer (DV)
Patrick Van Hamme, Chief Financial Officer (PVH)
Pierre Beswick, Vice President of Resort Assets (PB)
Karen Whitt, Vice President of Sales and Marketing (KW)

Graham Thompson Attorneys

Claire McAvinchey (CM)

1.0 Welcome and Greeting by the Chairman/Election of Chairman for the Meeting

The meeting commenced at 1:15pm

HF made motion that under TCI law for a meeting to be legal there must be a Chairman and a quorum. We have a Chairman and a quorum available. Motion adopted.

JN extended thanks to everyone stating that he had never seen this level of owner turnout before for an AGM and started the meeting.

2.0 Establishment of Quorum

JN introduced Ms. Claire McAvinchey from Graham Thompson Attorneys. He explained her role in the board election and proposed amendments. Quorum established.

3.0 Approval of the Minutes of the June 2019 Annual General Meeting

JN asked all to review the minutes from 2019 AGM. He asked if there were any comments. No comments made. Motion to approve minutes provided. Minutes approved.

4.0 Review of Strata Financial Statements 2019 YTD September

TM reviewed financials with focus on variances

RB asked for explanation on revenue.

TM explained work order revenue and how recorded. The Strata Corp receives the work order revenue for work done in the units. Not the management company.

PB provided example as well.

JN noted that budget is fairly predictable. Due to volume, there can be major variances with laundry and pool and beach. Also, a burst pipe can lead to a high water bill but the team does a good job on pipe leaks. Fuel factor is big part of power bill. When working on AC project, there was concern that energy savings could cause a higher fuel factor but that didn't happen yet.

RB questioned why maintenance revenue would be so much higher than expenses.

PB explained how inventory items are used and recorded.

TM explained that if there is a surplus at the end of the year. The board determines where it should be allocated.

PD asked about any insurance increase

PVH Insurance is not treated as a strata expense but is billed to individual owners.

TM Insurance is recorded in and out on the financials.

SH provided history of insurance budget and billing

JN By law, insurance is needed for all Strata assets. Each owner's insurance bill is based on their unit entitlements

5.0 Review Strata Budget 2020

TM No major operations changes for this year versus 2019. There is 1% increase in Strata fees and a 2% contingency fee is included per request of the board. There is now a full time Pool and Beach Manager. As part of the elevator project contract, there won't be monthly service fees for most of the year.

LG asked about increase to insurance amount

SH doesn't want to say it's not going up in the next year, but insurance companies suggest that it might go up. He mentioned how PVH created a savings by properly noting that there is always an elimination of duty after a hurricane.

Owners applauded PVH's achievement

PVH stated that insurance will be a 12% increase this year.

LG wanted to confirm that we insure for replacement value. SH confirmed.

SH We must make sure demolition cost is included as well

RB asked about level of payroll cost with overall pool and beach/laundry cost.

TM explained the 50/50 cost share with management company

PB answered a question about the water leak cost in 2019 and level of the budget in 2020. He noted the water company increased the water pressure which resulted in leaks at all properties. So, must budget that there will be some pipe damage.

JN confirmed this information

LG When I turn on the shower it takes a while before getting hot water.

JN commented that the water heater for the main suite is located in the lockout.

HF noted that doing a re-circulation system at this point is not feasible, if a new pump is installed will it expedite the hot water?

DV responded that the pressure from adding a pump could cause damage to the pipes

Owners noted some issues in their units

DV responded that he will investigate each of them

6.0 Review of Maintenance/Capital Expenditure Work 2019/2020

PB started by noting the great work done by improvement in landscaping due to Mr. Shippy, Landscaping Manager. Owners applauded after this comment

PB provided a detailed update on each line of the 2019 Capital Expenditure budget.

An owner noted issues around the pool that the guest can see like the tiles.

HF provided a summary of the pool resurfacing project. Several elements of the project weren't completed properly. Only \$30,000 of the contracted \$85,000 has been paid. The contractor has now hired a lawyer requesting payment for the contractor. Pool will probably have to be closed this off season to properly complete project especially for the removal of the stains.

LG inquired about using a different contractor.

HF responded that we have to give the current contractor the opportunity to complete the project. If he doesn't, we could then get another contractor. a lot of work to be done at pool due to rust spots. The management company did get bids from other contractors. This contractor provided lowest bid.

PD Does the contractor have any financial substance?

SH No, but this contractor has done many pools for our resorts and my homes with no previous problems

HF The contractor may have just spread himself too thin with other projects. The legal process could be long, and contractor won't be able to cover legal expenses. We have best security with holding the remainder of his money, \$55,000.

BR asked about a deficiency report being done.

SH One hasn't been done but can be done.

An owner asked about what can be done now

HF Lawyer suggested we check with Dennis on what repairs can be done. Acid stains will probably require pool to be emptied. Other methods are being explored to remove the stains.

PB provided a detailed update on each line of the 2019 Major Reserve budget

MF asked about pergolas being painted as not done during painting project. **PB** explained not in scope of project and will be done, as necessary.

CD questioned painting project payment. **PB** explained the management company offered to advance fund the painting works for the buildings and be paid back over 3 installments so that the work would not be deferred.

RB asked where elevator project was noted.

JN noted that it was a deposit from major reserve in 2018 \$500,000 and owner assessments in 2019 for \$1.5 million for major capital works like the elevator project

HF noted detailed contract. There were shipping delays and then issue with wrong sized cables. Management company hounded contractors to minimize project delay.

RB commented that there is no record on the balance sheet of a \$2 million dollar enhancement to the suite buildings

SH explained that balance sheet doesn't address common area assets but just current status of finances. It should be noted on budget in and out like insurance

Owner asked how much was spent on project.

PB \$2 million

PB provided detailed explanation for each item on the 2020 Capital Expenditure Budget

MS asked for explanation of crime Fund.

SH noted that after a sharp increase in crime last year. He met with the Governor, Police Commissioner, Premier, and Deputy Premier to see what could be done. They explained that many of the issues are based on procurement procedures. The resorts created a fund to assist and \$700,000 has been raised. The fund has assisted with 911 call center, CCTV system, tasers, body cameras and armored vehicles.

RB asked about what of the \$48,500 for the pool has been spent?

PB This is 2020 budget and have not spent anything yet.

PB provided detailed explanation for each item on 2020 Major Reserve Budget

PD Why are pergola covers on Strata budget? Aren't they for individual owners? I bought a 3rd floor unit to have a covered balcony.

JN explained that the exterior elements are Strata assets. This issue has been reviewed by the board for some time.

SN would opt out. **JN** responded noted this was already recorded from previous owner comments.

LG brought this up in 2006 and would like to see this done. He would be prepared to pay on his own.

PW would also pay on his own for his balcony to get a cover. Issue was noted that the board feels all the trellis deck covers should look the same.

7.0 Other Business

JN provided brief summary of each topic in this section of the agenda. He noted that there were samples of electronic door locks in the back of the room.

a) Security/Crime

PB provided an update on the increase in crime over the years on island. He discussed security staffing (internal and external) along with various security protocols. At times, we will have armed security. Always evaluating security needs (ex. lighting and cameras). We are looking to have a company do a full security analysis of the property.

BV Who is responsible for items being sold illegally from our beach chairs? Beach Manager?

Described incident that took place earlier in the day.

PB responded that security guard should have acted. Beach vendors are very hostile and one of our employees was seriously injured by making a simple request of a vendor. We use outside security company for the safety of our staff.

CD We are paying for additional beach security, but I don't see them on the west boardwalk.

PB There is normally not much activity on that side and the guard should regularly walk over from the east side.

JB We should have two guards at nights. When I walk from my garage to my unit and then look out from my balcony, I don't see the security officers. Friends of ours had a stroller stolen from the towel station.

PB spoke about the deggy system used for security patrols. He also responded to a question about weapons that only police can have weapons not security officers.

KW We are working with government to change regulations to have a better beach environment. There is a conflict between DEMA and the police over responsibilities on the beach. She suggests owners document incidents and concerns like the woman selling drugs. All resorts are having the same issues with beach activity.

KR noted how a security risk assessment is a complete analysis of a property security operation and set up.

JE Who do you call about situation like the woman selling drugs?

PB replied security guard, any manager, Security Manager, Jeff, or Pool and Beach Manager. Also, there is Emileo, Pool + Beach Shift Leader.

Owners made comments having about having more of security presence by the Caicos Dream Tours hut.

LG suggest a button that can be pushed to alert security. Also, he hopes we are telling our guests not to go on the beach at night.

PB Yes, we tell guests not to go on the beach at night. He discussed company shuttle system that goes at night every hour on the hour as an alternative to walking on the beach.

b) Electronic Door Locks

JN Electronic door locks have been discussed for some time by the board. It was decided that these new locks would be a benefit for both owners and the management company. So, the cost will be split 50/50. A reminder about the samples in the back of the room. There are models for the main entrance and then interior doors. There has been a lot of time spent looking for the right model and best technology.

CK wants to make sure that someone who knows about these systems is involved in the selection process.

SH There are 3 or 4 brands being used in the industry. The challenge for us is the thickness of the door. After much effort, we believe we have the cream of the crop.

JN A friend of mine is the largest manufacturer of key cards and assisted me with making sure we have the latest technology.

JV interrupted the lock discussion to ask about procedures for the meeting. As a new owner, he inquired about the decision process.

JN noted that normally the management company will provide options. The board will review and then make a choice. The AGMs are used to gather owner feedback in advance of any choices or decisions being made.

JV asked if owners can make motions for approval at the meeting.

JN Yes

BS spoke about how thin the doors are and the noise.

SH asked DV to look into a seal for the door.

DV will check

PD Are the locks programmable to restrict access?

JM Yes

An owner asked who owns the door lock?

JN responded that the door like a wall is a strata asset so the lock would be as well.

c) Status of Major Reserve

JN spoke about the major reserve fund being too low. In three years, there were two major projects (AC and elevator) that required large contributions from the major reserve. Historically, the major reserve was too low and a few years ago we got it to a million. The reserve fund should be equal to the insurance deductible. Hurricane Irma showed us that the buildings were constructed well and there wasn't much structural damage. However, we need to be ready to cover the insurance deductible. Also, to properly sort the beach furniture situation, we may need to spend \$200,000 and with getting the major reserve back to a proper level is a significant amount of money. He pointed out that the major reserve would just be \$321,000 at the end of the year if nothing is done. He wanted to have conversation rather than have the board dictate what will be done.

LG Do you want to get it back to a million by the end of the year?

JN The feedback he has received has been to spread out it over two to three years to get it back to a million. If nothing is done and there is a storm this fall, we are at risk. Normally, there is a major storm every 10 years but that is unpredictable.

JN and SH provided a history of insurance of Strata assets leading to insurance by building. JN pointed out that damage to 1 building may not reach deductible and if you don't have a unit in that building, why should you have to pay for damage.

RR What will be the cost per unit to get major reserve to \$1 million?

JN About \$11,000

PD expressed a concern that restoring the major reserve is more of an issue for future owners than current owners. He cited the recent transition to more new owners.

RB noted the \$516,000 annually budgeted and the \$400,000 spent in 2019. He requested to be able to know what the costs will be for the next five years.

SH A report was done showing what are the expected capex/major reserve expenditures in coming years.

KR Potential buyers look for significant major reserve

BH Confirmed as a realtor that with reviewing financials, potential buyers do look at reserve balances. She asked what will happen to current beach chairs if new ones bought?

PB There will be a sale

JV For the cap rate with taking into account special assessments, it is still lower with the financials we receive considering the record rates and occupancies we are achieving. The cap rate is important with reserves and everything else secondary.

Owners asked about various items (ex. pergolas, locks) to determine overall cost for monthly increase or one-time cost to make a decision at meeting.

JN replied that no decision is being made at meeting. He just wanted to start the conversation and get feedback at the meeting.

SH The main questions is whether to spread out the cost over two to three years or one big hit. An annual capex/major reserve budget of \$560,000 for \$68 million in assets is about .7%. For any industry, this is low by any standard.

d) Beach Furniture

JN Beach furniture was a big discussion item at the AGM in June.

HF Pointed out the samples in the room which are like what is at Shore Club. Our beach chairs are of higher quality than what other resorts have on Grace Bay. In response to a question from an owner about splitting operation costs but not cost of chairs, he explained license agreements with management company for various areas (ex. gym, tennis court, 72 West).

RR I have been an owner since 2006 and we used to have 1 row of chairs but now we have 3 but still the same number of units.

PB 250 chairs are needed when we are full. We have over 350 guests during peak occupancy with guests wanting a chair for all member of their family and nannies.

JV commented on synergy that SH referred to in the meeting yesterday. His opinion that Shore Club guests should be able to use our beach facilities and a charge just needs to be established. The synergy is worthwhile overall. Even though not supposed to be used by Shore Club, he was told on a tour at Shore Club this week that their guests could use The Palms beach facilities.

BR Most owners believe that there are certain assets that are unique to The Palms. We don't want other resort guests using our beach facilities with the amount of money we pay. There are meant to be proper monitoring systems in place. If \$250,000 to get all new beach equipment, what is the cost for refurbishment?

HF The value is not there for refurbishment and best thing was to replace with all new.

PB In response to owner inquiry about other beach chairs besides the chaises, he said that beach chairs are included in proposals. He reviewed the three options with the different levels of refurbishment of beach furniture and purchasing of new beach furniture.

BH noted that there aren't enough chairs to allow non-resort guests to use them and need better enforcement of beach chair use.

HF Fully understands the value of having the synergy. Agrees with BH on not enough chairs as happens during XMAS that owners can't get chairs. Enforcement needs to be better but realizes difficult situation with public beach.

SH If you tell us a way to make this work, I am willing to work it out. He apologized for the Shore Club staff member providing the wrong information. Grace Bay Resorts now has multiple properties with sharing beach amenities which puts us at a marketing disadvantage as does the Turks and Caicos collection.

JV repeated his opinion about enhancing synergy with Shore Club and the use of beach chairs by their guests.

BH From real estate perspective, there needs to be a clear policy.

LG I bought at this resort. My opinion is the pool is our pool and the beach is our beach. No real value for other resort guests to use our facilities.

BR There is shuttle system in place for the use of the restaurants and spas at the resorts. This is enough synergy for him.

JN The board wanted to canvas ownership group to see how to proceed with beach furniture. He wanted to address cost share with management inquiry on beach furniture. First, capital items shouldn't be split. Also, if cost is split then management company has a right to determine use of the chairs.

e) Designated Rental Manager Agreement

JN This issue was discussed extensively at the management company meeting yesterday and wants to move on due to the time of the day

HF SH addressed this topic extensively yesterday. Since time is running out, we do need to move on. However, if any owner wants to make any comments or questions, please do so now.

There were no comments or questions from any owner

f) Announce 2021 AGM Date

JN At the board meeting this morning, we determine that the next AGM will be January 22, 2021. As you can see, we have a great turnout for this AGM.

LG Can the meeting be held at the end of February so end of year financial results can be shared at the meeting?

JN The timing for the January meeting is that there is normally a lull in occupancy after Christmas break and busy February.

LG asked if there would be a management company meeting the day before again.

JN Yes, there would be and that would be January 21st.

KW mentioned that there was a high level of displaced revenue due to the timing of the meeting. Winter reservations tend to be Friday to Friday or Saturday to Saturday.

JN So, it would be better for owners to check out on Friday

KW Yes

JN The management company meeting will be **January 20th** and the **AGM January 21st**.

8.0 New Business

g) Voting for by-law amendment to provide for staggered board elections

h) Voting for new members of the Executive Committee

JN spoke of a staggered board. In 2012, we started two-year terms for board members. TCI law notes that elections should be every year. It takes couple of years to figure out how everything is done. Many properties here have staggered boards and do elections every year.

RL Was there any discussion about term limits?

JN No and not in ordinance.

An owner asked if there is an election each year

HF Explained how the election would work with five board members being elected this year. The top two vote getters would be elected for three years, the next two vote getters for two years and the fifth would just be for one year. Next year, there would be an election for a board member to serve one term.

JN reminded everyone that Ms. Claire McAvinchey from Graham Thompson Attorneys would collect ballots and tabulate results. This is being done to keep each owner's vote confidential. He noted the vote is by unit entitlements

HF added that garages also have a small entitlement (7). He continued stating that if it is a TCI company that owns the unit, you must be a director to sign the ballot. If there are two owners for the unit, both owners need to sign the ballot or the proxy. If only 1 owner signs, the ballot is only worth half the unit's entitlements.

RL asked if board member nominees would be able to speak before the vote.

HF Yes, we will take a break and then let the nominees speak.

JV asked if you vote for 5 nominees, does your entitlements get split among those 5 members.

HF No, each nominee would get all the entitlements for your unit.

BR The staggered board amendment will restrict being able to vote people in and out. Board members can just be elected each year and stay on the board for many years. This is an entrenchment device.

RL Agrees

BH noted that new owners can be put off by this as they would be restricted from joining the board

HF It is recognized that this is a significant change. There is a footnote on the agenda that the amendment needs two-thirds to pass not just a majority

An owner stated that it would be good to have the same board members for a few years to get things done. A new board each year has to get sorted and not as much progress can be made.

JV understands about a new board needing time to get sorted each year, but this is an entrenchment issue.

JN Everyone should vote as they feel

An owner asked what happens if amendment fails

JN Vote again next year

JN We will take a 10-minute break and then hear from the board nominees starting with Rob Lawrence.

JN resumed meeting. Jeff is passing ballot around for staggered board amendment. Each nominee for the board will speak.

RL This is not right year for this amendment. Owners should have more time to review.

JN For those owners who have proxies, please show Claire. Need ballots for each of your proxies and yourself. Time for nominees to speak.

RL spoke.

JMc asked **RL** where he stands on conflict of interest with having **Stan** on the board when a negotiation for higher percentage of the rental income for the owners is a conflict. **Stan** can recuse himself but there is still a conflict.

SH asked to answer the question and **RL** agreed.

SH It isn't the board's remittance to negotiate a management agreement. Over the past year and a half, the board has turned into hotel operators. The board is the custodian of the common areas.

JMc Who then negotiates the designated rental manager agreement?

SH We lost \$2.7 million in our first year of operation. We would not have survived with the arrangement at that time. He flew from city to meet with owners directly with a 2-hour presentation. He greatly appreciates the original owners who have been with us all this time. Once again, the rental agreement isn't the remittance of the Strata board.

PW spoke

DH spoke

KR spoke

JN spoke

SH spoke

HF spoke

RL resents comment by **HF** about his lack of attendance at AGMs and should not question his level of care and commitment to The Palms.

PK I was an original board member and past chairman. I am concerned with what is going on with things like proxy solicitation. I have just decided to throw my hat into the ring and run for the board.

SH If you want to vote for Peter, you just need to write his name on the board. Claire, is this ok?

CM Yes

JV Motion to have **PK** on the board nominees list.

JN seconded. Please raise your hand if in favor of the motion

Majority of owners raised their hand. Motion passed.

An owner asked about a deadline that had been set for submitting a nomination to run for the board.

HF Yes, there was but not the law. Up to owners here at the meeting to allow. A reminder to note garages on your ballot.

An owner asked when results will be announced.

JN Jeff will distribute after Claire tabulates results.

Owners voted and some owners left meeting after voting.

SH A board member nominee that isn't currently on the board wanted to point how elections should be run according to the Strata ordinance. Section 14 states that elections should be held every year with no less than 3 members and no more than 9. If someone runs and gets a vote, they should be on the board.

An owner said they thought board was five members.

SH No by-law was ever done to not have to follow law.

HF It is also came up that the law is all owners need to sign a proxy for it to be valid but that has never happened, so it has been not been enforced this year. Previously, owners decided formally to lower board from 7 to 5. Not proper to now go by law for this.

SH Election instructions given by the board don't follow the law.

JV Why is this being brought up now? If that is the law, fine, but this looks like a bunch of games.

SH Nominees running for the board have the right to investigate how the election is run and for it to by the law.

JV We have been hearing everyone say let's work together and now both sides going to technicalities. All 4 of you aren't representing the owners.

HF I will look into this further. Not in by laws for number of board members. Board was 7 but was lowered to 5 due to lack of participation. Ordinance does state that board should be no less than three and no more than 9 members. There were multiple emails from Jeff stating we were voting for 5 board members.

MFr It isn't right to bring this issue up after the vote.

HF Let the votes be counted then someone can assert the law.

SH Nominee for the board has a genuine concern how proxies were solicited. The vote can be swayed by the proxies. It is fair that someone can then make sure election is done by the law.

JV Just a waste of 6 hours of my time but agree with you on the procedural issue

SH Nominee has enough concern to go by the ordinance. You can't hold the bad timing against him for wanting to go by the law.

An owner stated that he doesn't believe the board member nominee just thought of this and are simply not wanting the established process followed.

HF I heard yesterday about it being bad for you (SH) not to be on the board. You noted how people are upset about the solicitation of proxies. For the past 15 years, you have been soliciting proxies. Management agreement states that you can have owner listing and the only other person is the chairman. The list can't be used for electioneering. This year we have great transparency. In 2014, LG suggesting staggering the board for a smoother transition of board members and the board should be reduced from 7 to 5. The vote was 31 to 3 in favor of motion. For the last 5 years, we have followed having 5 board members. The nominee questioning the election process should come forward. If they have issue with not being one of the 5 board members elected, they can go file a lawsuit.

JE I have been an owner for 15 years and this is first time someone was trying to influence my vote. I believe in SH. I am very upset.

SH I take exception to allegation that I solicit proxies. For the last AGM, I don't even know if I had a proxy. Jeff literally sends multiple emails for proxies to ensure a quorum. Never have Jeff or me given someone one side of the story to get their proxy. I have received many calls and emails asking what is going on with proxy solicitations. Timing might be bad, but a board member nominee has the right to question process.

JV I just wanted to verify ordinance process. HF that process should have been followed.

HF cited AGM vote for 5 board members. Nominee disputing election process should make motion for 9 board members.

SH No one had to make motion

HF RL can confirm that corporations have certain number of board members that aren't noted in any by-laws

KR Four years ago, I ran for the board but lost. I voted for myself and then by the law, I should have been on the board.

HF Board member nominee questioning election process is saying any motion to limit board below 9 members is irrelevant.

RB Is voting closed? I want to change my vote for myself to be on the board.

KR It is hard to get things done with a large board. To go from 5 to 9 will be hard to get anything done.

JV With everything going on, I think it best to have the 9-member board. Motioned to close the meeting. Motion approved.

Meeting adjourned at 7:00pm.