



PARADISE ISLAND BEACH CLUB

*Annual General Meeting
Thursday, October 3, 2013*

The meeting was held at the Paradise Island Beach Club ("PIBC"). Acting Chairman, Jim Martens called the meeting to order at 4:04 p.m. and presented apologies on behalf of the Chairman, Christopher Lightbourn who was unable to be present as he was travelling. The Acting Chairman confirmed that the members present and the proxies received exceeded the minimum requirement of six (6) members or 110 proxies.

Introductions

Mr. Martens welcomed attendees and introduced the Management Committee members. Present were:-

- Jim Martens – Acting Chairman
- Mike Patoka – Member Representative / Elected
- Dave Rice – Member Representative / Elected
- Maria Castrechini – Founder Member / Appointed
- Tony Knowles – General Manager

Mr. Martens announced that Theresa Haven-Adderley was Recording Secretary for the Meeting.

Following is a list of Members present and number of weeks owned:

<i>First Name</i>	<i>Last Name</i>	<i># of Weeks Owned</i>
Patrick	Sorrano	1
Scott	Sieck	4
Carol	Patoka	2
Glenna	Martens	2
Franka & Manning	Correia	2
Sally	Rice	8
Philip & Diane	Wade	2
Wilhelm (Bill)	Combuchen	3

Mr. Martens presented a message from Mr. Lightbourn and noted the following:-

- The vacancy created by the retirement of Richard Pyfrom has now been filled. He would like to publicly thank Richard for the untold hours he spent on matters relating to PIBC.
- Thanks were also given to Mike Patoka for his contribution.
- Of course, the job of the Management Committee would have been considerably more difficult if it were not for the General Manager, Tony Knowles, to whom we would like to give a vote of thanks. Six years ago, when Tony accepted the position of General Manager, we asked you the Members to give Tony a year. He's still here and the Management team is pleased. To Tony, thankfully you did not give up. Our job will not be completed prior to the expiration of the last Certificate on December 31st, 2032, so we still have quite some time.
- During the last six years, the Club has improved considerably. There have been no special assessments, the pool has been completely re-done, along with the breezeway, the pool deck and mini-mart. We have 2200 members. There were some challenges, for example Villa 42 with the electrical fire as a result of the lightning strike. We have had to contact a collection agency to pursue delinquent members, but we are moving on.
- On behalf of the Management Committee, special commendation is given to Tony Knowles' herculean efforts each shut-down period. His accomplishments exceed expectations.
- Commendation is also given to:
 - ★ Gloria Matthews – Accounts Department;
 - ★ Denise Moore – Housekeeping Department;
 - ★ Derek Rolle – Maintenance Department;
 - ★ Jennifer Knowles – Mini Mart / Landscaping; and
 - ★ Robin Cartwright – Front Desk Manager.
- Acknowledgement was given to Mike Patoka who is retiring with special thanks for his efforts from the Management Committee.
- Club Members are invited to address any concerns to the elected Members on the Management Committee. It is to be noted that everything that is said is listened to and Tony and staff will do whatever they can to address the concerns satisfactorily.

Motion to accept the Meeting Agenda as posted to the Club's website

- 1st – Jim Martens;
- 2nd – Mike Patoka;

Unanimous vote.

Financial Overview by Chairman:

The Club's auditors, KPMG, have still not quite finished the audit of 2011 and 2012. They have expressed some concerns (similar to those expressed by us last year) regarding outstanding Member dues / accounts receivable, and they are performing some additional testing pertaining to the Mini Mart and Pool Bar operations as they are of the opinion that more detailed reporting is needed. We are expecting to receive the audit report before the end of this month. Once it has been received, it will be immediately posted to the Club's website.

As reported at the AGM in 2012, the Management Committee has approved an advance Reserve Expenditure of \$450,000 during 2012 from the 2013 prepaid dues, which was to be repaid from the 2013 Reserve Contributions at the rate of \$47,500 per month. At that time, the Management Committee knew that such an aggressive repayment plan would limit what the Club could spend on reserve items during 2013 to less than \$60,000. Last month, the Management Committee reviewed the list of items needing attention and agreed to reduce the 2013 repayment from \$450,000 to \$300,000. The remaining \$150,000 will be repaid in 2014.

The Club's cash position as at August 31, 2013, is in excess of \$2.0 Million. Of that amount:

- (a) prepaid Member Dues amount to \$1.7 Million;
- (b) outstanding Member Dues amount to \$1.2 Million.

The outstanding amount of \$1.2 Million will be reduced by just over \$230,000 due to the write-off of an unsubstantiated carry-forward balance from Festiva of \$55,000 and to the reversal of a total of \$177,000 which was included as revenue during 2009, 2010 and 2011, and represented an incomplete register of 2,200 members. In an effort to complete the register, Members may recall that the Club offered free drink tickets to Members who provided a copy of their Vacation Certificate.

As also mentioned at the 2012 AGM, the Club engaged a collection agency in the United States to pursue delinquent Members. Some Members have responded, some have requested a payment plan, some have paid their outstanding balance and surrendered their vacation certificate to avoid being billed for future dues, and some are encouraging the Club to pursue other recourses against them. This then means that the owners of 2,200 vacation certificates must pay their proportionate cost of operating and maintaining the Club in order for the Club to remain viable. It was confirmed that of the \$375,000 to be collected, approximately \$175,000 has been received. The charge for the collection agency is 25%.

The Club has almost completed a new website, which is designed to attract potential renters and enable them to book a stay by making payment online (much like some airline and hotel bookings). The Club has executed rental agreements with some major travel websites and is also considering others. Net rental income will not recover the current outstanding Member Dues, but should hedge against the increase of the amount and provide potential clients to our on-site marketing staff.

The Management Committee has reviewed the financials statements of the Club as of August 31, 2013. There are some concerns and further review and discussions will be necessary to determine what can be done to recover some of the negative results prior to year-end.

For the 8-months ended August 31, 2013, the Club is reflecting:

- a negative variance to budget of \$110,000;
- Other Income is \$27,000 below budget (Food & Beverage contributions = under \$18,000, and Resales & Rentals contributions = under \$7,200);
- Front Desk is over budget by 7.7% (\$4,800);
- Housekeeping is over budget by 6.5% (\$16,700);
- Maintenance is over budget by 8.8% (\$55,800);
- Utilities is over budget by 15.2% (\$31,200). Electricity costs represent more than 50% of the variance;
- General & Admin is over budget by 2.9% (\$26,500).

The overages shown above are only partially offset by a Contingency of \$52,500; however, the total Contingency of \$105,000 for the year is allocated quarterly. Accordingly, we do expect our financial results to improve by year-end as compared to the 2013 budget.

2012 AGM Minutes:

Motion to approve 2012 AGM Minutes as posted to website

- 1st – Sally Rice;
- 2nd – Glenna Martens;

Unanimous vote.

Management Report:

Vote of thanks: Management thanks Mr. Christopher Lightbourn (who unfortunately is not with us today) for his continued support, Mr. Jim Martens, who is acting Chairman in Mr. Lightbourn's absence, and other members of the Management Committee, especially Mr. Mike Patoka (who chose not to offer himself for re-appointment to the Committee), his wife, Carol, for allowing Mike to give so freely of his time to serve your Beach Club, Theresa Haven-Adderley for her services, and most especially you the Members for your support, sacrifice and contributions towards the continued improvement, development and future of PIBC.

I am forever grateful to Mike for the many hours he made himself available to me and for accommodating the telephone calls, emails and providing general support over the past six years – hopefully this will be continued going forward.

2013 has been the year of software for the Club. We implemented a new PMS system, new websites, and a recently-approved POS system for the Pool Bar and the Mini-Mart which interfaces and allows for more efficient management.

In addition, there continues to be more enhancements and continued progress in our goal to improve the overall vacation experience. Some of the efforts are:-

Reservations: This remains the Club's biggest challenge, but we do not expect a change any time soon, since our Members are loyal and choose not to exchange but rather to occupy. PIBC is, if not the #1 owner-occupied timeshare in the industry, certainly in the top-ten. Interval International was quite surprised to discover that PIBC enjoys 96.4% owner occupancy. This has increased from just over 55% in 2008. While this is great news, it places a huge challenge on reservations, for when a member exchanges the week, the villa of choice is not as important as when the Member intends to occupy.

Reservations this year came with much anticipation and concern over the lottery system. We are happy to report that the lottery system was a successful one and, more important, it was a fair one. More than 80% of the Members received their week of choice, ocean-front villas are being used this year by ocean-view owners, some for the first time and in some cases in at least 8 years for some others.

Ground-floor units are becoming more important and will continue in the coming years. Management plans in the not-too-distant future to add more accessible units by adding an

elevator above the Breezeway (which comprises 12 villas) thus almost doubling the easily accessible units.

Winter Season reservations went surprisingly well, as did Swing. The surprise for reservations was Summer. Out of 216 requests, 102 was for the week of July 4th with no alternative week provided. We have only 43 units, which means that 59 Members would not have received their week of choice. With the online system, though there would have been a difficulty ensuring that Members received their week of choice, family and friends who normally vacation together would have seen that some of them received their week of choice and others did not, possibly resulting in a division in the group. Much effort was made to keep family and friends together. Groups that received the July 4th week for 2014 will not be in the lottery draw for 2015. This will allow others a chance to vacation during this time.

We have recently found that Members with high demand weeks deposited their weeks for exchange. These Members did not indicate this on their reservation form. Management Committee has now implemented a policy that any Member intending to space-bank his or her weeks in a high-demand period must first contact the Club. No deposit of high-demand weeks will be honored/approved unless the Member first contacts the Club.

We have learned from this year's reservation exercise that the mailing system remains very challenging. We will try to minimize this as much as possible by opening:

- (a) Winter reservations the first week of Swing,
- (b) Swing the first week of Summer,
- (c) Summer the last week of summer (confirmation to be issued in week 35)
- (d) Fixed weeks 37 and 38 to be opened during week 39.

This will allow the majority of Members to walk-in their payment to the Club, only leaving Swing week owners who vacation at the Club in the Fall to make their reservation as if they have paid and allowing them to bring in their payment. Any unpaid reservations are subject to change – with no exception.

The reservation software system required many hours to implement and called for sacrifices by Gloria and the Management team. There were issues with the emailing system, confirmations were sent but not received, etc. We are pleased to announce that today most of these bugs have been fixed and we will not have these challenges in the future. The new system will permit better communication with you.

Assignment of weeks – Any Member who has not paid or made their reservation will automatically have their week assigned on October 7, 2013, in accordance with the Club's constitution, which actually states an assignment date of October 1st, however because of the early AGM this year, a grace period is being allowed. Any person who has not made a reservation as yet should contact the Club as soon as possible.

Marketing: The Club is now ready to be marketed. Prior to this year, many improvements had to be made to bring the Club to a standard which will mitigate negative comments.

There are 2 new websites developed by the Club, one for members and one for the online vacationer. These are:-

www.gopibc.com (for the online vacationer), and

www.pibcresort.com (for Members).

In the past, www.mypibc.com was used as a hybrid website, serving both the Members and online vacationers. On average, this website received 15,000 hits per month, some from Members but a large majority from others.

While www.gopibc.com has been launched, there is still some work to be completed, including relocating, removing and adding photos. The site will be converted into 27 different languages and distributed to the G.D.S (Global Distribution System) of wholesale travel agencies (some 2.24 million offices) for the rental of weeks owned by the Club and for those Members intending to rent their weeks. The Club has partnered with Leisurelink for the contract agreements between those travel agencies involved in the GDS. Note that Members will be given the opportunity to make their reservations prior to opening the site to the travel agencies so effort should be made on the part of Members to make reservations as quickly as possible.

We are looking forward to continuing working relations with Atlantis for use of their amenities (including discounts on concessions, full access to Aqua-Adventure, the water theme parks, the Dugout and Golfing), which we can offer to Club Members/guests and will show on our online marketing. With Bahama's scheduled opening date of December, 2014, we imagine that Atlantis may be interested in improving relations with smaller neighboring properties such as PIBC.

Physical Property: Maintenance plans went very well and, with the cooperation from the weather, we were able to complete all scheduled projects. The Project Team was led by Derek Rolle (Maintenance Department), Gloria Matthews (Accounts Department) and we are truly grateful for their work, dedication and support especially in very challenging situations. Some of the accomplishments this year include:-

- Villas 1 – 6 - Installed new hurricane-proof windows.
- Entryway to the Beach:
 - (i) Widened the entryway so that guests walking to the Beach do not interrupt Guests washing their feet;
 - (ii) Installed 2 foot-wash Stations where previously there was only one;
 - (iii) Placed the door control button on the opposite side from where it used to be, eliminating the need for Guests to wait for persons to finish washing their feet so that they can enter the beach
 - (iv) Removed the old wooden handrails which had become loose;
 - (v) Increased the wall height to accommodate aluminum hand-rails;
 - (vi) Removed the wooden deck connected to the concrete walkway near the outside shower, replacing it with concrete.
- Removed the 32-inch aluminum rails to the ocean-front units (Villas 1 – 12), replacing them with 42-inch high wooden rails which are safer and are painted in a two-tone blue color, enhancing the area.
- Villas 7 – 12 (Block 2) – Repaired the hairline fractures in the exterior walls using a silicone-based product which is claimed to last for 15 years.
- Villas 25 – 36 (Blocks 5 & 6) – These were the focal points this year. We removed the planter between Villas 33 and 34, and replaced it with a walkway/bridge which now connects Blocks 5 and 6 and allows access to Villas 31 to 36 without having to use stairs.
- Pool Bar – Blue quartz countertop installed.

- Villa 39 – Demolished the planter outside this Villa because the palm trees had become overgrown, and further repair to the planter was not an option. The palms and other plants are now planted directly in the ground. A wall has been erected behind the plants to create added privacy.
- Interiors – Scope of work:
 - ◆ Completed the installation of the master and guest vanities and entertainment centres to all Villas. All Villas now have all new cabinets (including kitchen cabinets);
 - ◆ Removed most of the fabric valances and replaced them with wooden valances – this is a work-in-progress and will continue until all valances have been upgraded – new drapes with easy-glide drapery rod systems will be installed in all the Villas. The new drapes will be selected in the next week or so and installed by no later than end of January of 2014;
 - ◆ Refurbished the furniture in 21 of the 44 Villas – Refurbishment includes the dining room set, 2 side chairs in the living room, side table, master bedroom chair and side table.
 - ◆ New linens and bedspreads were ordered and are expected to arrive within the next 2 – 3 weeks;
 - ◆ Patio Furniture is being looked at and will likely be replaced in 2014;
 - ◆ Wi-fi has been extended throughout the property;

The new Mini-Mart has been well received and is turning into a cash-flow center for the Club. Both the Mini-Mart and the Pool Bar are fully owned by PIBC. Members' support is greatly appreciated.

A meeting was held today with the Ministry responsible for the Environment to discuss odors emanating from the nearby water treatment plant. An investigation will be launched into the matter and time-lines will be set for addressing the situation (along with Atlantis).

Conclusion: We are very close to fully restoring the Beach Club to its rightful position. Management wishes to thank you the Members for your patience and continued support and confidence in our efforts as we continue to strive to improve the property and to ensure that the vacations our Members have come to enjoy for many years will continue in the years to come.

2012 Elections:

Mr. Martens (on behalf of Mr. Lightbourn) acknowledged and thanked the Members who have served on the Management Committee for their hard work and continued support. He noted that Mike Patoka is retiring and thanked him for his continuous support and tremendous contribution.

Mr. Martens advised that there were 4 candidates (excluding Mr. Patoka – who actually received some votes) for the position of Member Representative – Elected – to the Management Committee. He also noted that 12 persons actually contacted the Club to advise that they would not be voting. Election results (in reverse order) are:

Nominees and number of votes for Management Committee Representative:

- Monica Berckes (with 15 votes)
- Patrick Soranno (with 21 votes)
- Jan Barlow (with 46 votes); and
- Scott Sieck (with 122 votes) - **Elected**

Mr. Martens thanked Members for voting and again thanked Mike Patoka for his valuable contributions to the Committee. He also told Mr. Sieck that the Members of the Committee are looking forward to his input..

Unfinished Business from 2012: None known.

New Business:

Questions/comments from Members and answers by the Management Committee Members:

- S.S. – Regarding the non-performing Units - What about offering them for \$1,000 per week to reduce or cover ongoing maintenance payments so that improvements can be continued and we can raise cash to pay bills?
- P.S. – In a difficult environment, focus should be on retention or at least on opening up to existing Members with a view to covering costs.
- S.S. – Is there any way we can try to re-capture those owners? We can also try to get younger blood in the Club – this would be the ideal solution. Who is ultimately responsible for the deficit?
- T.K. – The Membership. That is why we are looking at the rental business and at partnership with entities like Leisurelink. The plans look solid and we are ready to launch. Agencies do require the inventory well in advance and we are also looking to auto-assign weeks by October 1st. Most wholesale agencies prefer 14 months out as ideal.
- S.S. – Does the Club receive any funds on exchanges? For example, if you rent out at \$200 per night?
- M.P. – The ideal would be \$2,000 per week. Ideally, we are looking to sell weeks; the rental program is a substitute.
- T.K. – What the Club has been doing in the past is making a bulk deposit with RCI International and Interval International. The Management Committee needs to discuss how many weeks there are and place a \$ value on them to offer firstly to existing owners.
- P.S. – Back to the financials – There have been increased revenue from the Mini Mart?
- M.P. – This is being investigated by the auditors.
- J.M. – We will suggest financial statements for each operation – the Mini Mart and the Pool Bar. We have to find a way to break out the revenues.
- T.K. – The Mini Mart should definitely be a profit center. The move to the front of the resort allows non-Members to patronize. For the greater part, sales have been coming from non-Members. The deli opened a few weeks ago and is now serving breakfast and lunch.
- B.C. – The process could be more improved, but we are on the right track. There are many excuses for services, e.g: computer broken down, no iceberg salad for two days ...

- T.K. – We recently got new inventory. There were issues with the computer. We are having challenges with the refrigeration. We would like to expand to include more products but that is not possible immediately. We recently obtained a license to sell to non-Members and this should hopefully generate more revenues. We are also looking to have perpetual inventory to avoid shutting down one day per month to take inventory. The POS system has just been approved, so this should help us considerably.
- S.S. – I have just pulled up the website and it is very nice.
- M.P. – The Management Committee encourages people to bring matters to the attention of the Manager. Members can leave a note at the Front Desk.
- P.S. – Some folks have given up about the annoying things. There have been dramatic improvements in 6 years. The issue should be the rental system, social media, etc. The little things do mean a lot. There is an environment of excellence among the employees. We need to ensure that they are properly compensated and continue to be motivated. There are about 15 things in my Unit that are annoying. I would prefer to spend some money to determine what the Club's mission and values are and how to inculcate these into the staff.
- S.S. – The 'official' Facebook PIBC website does not allow you to get into it if you are not a Member and it is very difficult to add a comment so we cannot read any negative/offensive comments.
- T.K. – This process has been challenging. The official PIBC facebook page is owned by Members not the Club. Management does not have access to it, and Facebook will not allow PIBC to create another Facebook page containing anything regarding the official or original page. This is having huge implications on the Club, and needs to be addressed.
- M.P. – We need social network help.
- J.M. – We will receive updates when we have our next meeting on the third Thursday in October. Any more new business?
- B.C. – I heard from my friend in Freeport that the Bahamas Government is going to introduce the VAT tax of 15%. That could create a problem on what effect it could have on this industry.
- T.K. – We have done some research and, for example, for properties insurance, the tariffs should be lowered by the same amount.
- B.C. - When you rent as a hotel, are you treated differently from a time-share or exchange?
- T.K. - Timeshare owners have no taxes; they are treated as investors. Exchangers are treated the same way. Rentals will have the 19% tax applied.

Adjournment:

Motion to adjourn the Meeting

- 1st – Philip Wade ;
- 2nd – Scott Sieck;

Unanimous vote.

The 2013 Annual General Meeting of the Members of the Paradise Island Beach Club was adjourned at 5:35 p.m.

