

PARADISE ISLAND BEACH CLUB

Annual General Meeting Thursday, October 14, 2010

The meeting was held at the Beach Club. Chairman Christopher Lightbourn called the meeting to order at 4:07 p.m. and confirmed that the members present and the proxies received exceeded the minimum requirement of six (6) members or 110 proxies.

Introductions

Mr. Lightbourn introduced the Club's General Manager, Tony Knowles, himself and his fellow Management Committee members. Present were:-

- o Bert Millikin - Member Representative / Elected (4 years)
- o Mike Patoka - Member Representative / Elected (3 years)
- o Richard Pyfrom - Founder Member / Appointed
- o Maria Castrechini - Founder Member / Appointed

Mr. Lightbourn 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>	<i>Villa #</i>
Wilhelm	Combüchen	3	4
John/Carol	Schooley	1	32
Carol	Patoka	2	16
David/Sally	Rice	12	23
Roger/Martha	Perkins	1	3
Ed/Flo	Gelzer	2	11
Maureen	Fogarty	1	31
Arthur	Duran	2	41
Robert (Bob)/Anita	MacDonald	1	1
Phil/Diane	Wade	3	-
Andy/Nina	Balducci	50	2
Joe/Janice	Theis	2	40
Felicia	(D e S t e f a n o) Perez	2	1
Scott	Milliken	4	8

General Overview by Chairman:

After congratulating Tony Knowles on his recent marriage (held at the Club), Mr. Lightbourn gave special thanks to the Members for

their support of the Management Committee. He thanked the Management Committee for their valued input and guidance and, not least, he thanked the General Manager, Tony Knowles, for his contribution to the Resort, noting that Tony's vision surpasses the Club's original glory and that the Members are the beneficiaries of his Herculean ambition.

Mr. Lightbourn suggested that details of the Club's financial position be provided after Tony's Management Report, and invited a motion to amend the Meeting Agenda as distributed to Members via e-mail to move the Management Report forward to the first order of business.

Motion to accept the Meeting Agenda as amended

- o 1st - Andy Balducci; 2nd - Arthur Duran; unanimous vote.

2009 AGM Minutes:

- Motion to approve 2009 AGM Minutes as posted to website
 - o 1st - Arthur Duran; 2nd - David Rice; unanimous vote.

Management Report:

Vote of thanks: Management thanks the Management Committee, staff and members in supporting the goals and expectations set for this year.

The year 2010 came in with great goals and expectations Management Committee, Management, staff and Members anticipated that this year would be the year that all the hard work and planning in previous years would finally fall into place.

Many improvements were made to the Club and tasks were completed. Some of these are noted below:

Physical Property: The challenge for 2010 was the appropriate assignment of spaces for the various departments. Major works were completed to the Club's physical property. We were able to achieve the following:

- ◆ Re-locating the Breezeway kitchen to the reef Bar, which could not happen without having a dining area and extra storage room for housekeeping staff;
- ◆ Erecting an extension on the eastern wall of Block Five to accommodate staff dining and the extra storage space needed;
- ◆ Creating a proper storage facility for Maintenance to:
 - * Accommodate all appliances and used air-conditioning systems;
 - * Properly store all the tools and supplies in their appropriate spaces to allow for better controls and inventory-taking;
- ◆ Installing roll-away gates at the western gate entrance to improve the appearance of the maintenance work area by placing the garbage compactor in a concealed area;
- ◆ Replacing 90% of the pavers to improve the overall appearance of the Resort;
- ◆ Giving the shower near the beach entrance a face lift;

- ◆ Erecting a wooden trellis lounge deck area in front of Block 2;
- ◆ Erecting a trellis as part of the continuation of the wind break system. It is intended that quality French Doors will be installed and that they will normally be left open but closed only when there is bad weather;
- ◆ Increasing the pool deck space by removing the planter;
- ◆ Re-sealing the pool deck with a colored concrete sealer with non-skit additive, thus greatly reducing the risk of slips and falls; and
- ◆ Extending the trellis system holding the glass sliding panels between the pool and ocean decks along Block 1. Temporary glass inserts will be installed on cold and windy days.

Maintenance: Maintenance works included:-

- The ocean front pool received a new gel-coat application, with a brand new ten foot logo. The Breezeway pavers received a couple of coats of colored concrete sealer with non skid additive to greatly minimize the threats of slips and falls.
- The entire exterior of the resort painted this include the eaves of all buildings.
- The irrigation system was revamped throughout the entire property
- Areas that required new sod received it.

Amenities: The created space in the breezeway kitchen became the new game-room and gym. This meant that a proper meeting room was created.

Renovations to pool bar area:

- The stair-cases leading into the pool near the bar area were removed and re-located to the place where the planters were immediately next to them.
- The roof of the pool bar was extended six feet.
- The pool pump equipment was relocated to a new space created under the stairs leading down from the sundeck nearest to Block 1.
- The space on the opposite side that stored the umbrellas and everything else was removed.
- The concrete under the covered roof was jack-hammered out and replaced with a wooden deck. This deck was placed three

inches lower than the previous concrete thus giving us more head to ceiling space.

- The space behind the bar received a beautiful face-lift. It can now accommodate 4 bartenders should the need ever arise.
- A temporary wind-breaker system is available that can be quickly erected in the event of strong winds or rains, which means that all planned events will no longer be subject to the weather.

Interiors:

- The remaining kitchen cabinets from the first 15 approved for last year were completely installed.
- A new contract was issued to construct and install another 15; these will not have the challenges faced in installing the first 15, for they were part of the ocean front villas which is always busy.
- The remaining 14 will be completed early next year.
- The first 22 new sofas finally arrived and have been installed in Blocks 1, 2, 3 & 4. They look great and I am told they are very comfortable.
- All the interiors now have a fresh coat of paint.

Challenges:

- Reservations:
 - While always a challenge, it was even more so this year than the last:
 - The online reservation system was well used. A lot of members found that their usually easily accessible weeks for high demand periods seemed a little tighter.
 - We had existing members take advantage of the defaulted weeks which were for sale and we also had new members purchase within the Club.
 - The result was that the weeks once held and not used by the developer have now entered the reservation stream.
- Mailing system:
 - This remains frustrating.
 - For the record, PIBC does not have an employee in Florida. We use a contractor for our mail, Mail Boxes Etc.
 - For those persons mailing checks with a 44¢ stamp, there is no way to recover that loss.
 - It is preferred that you send your mail by signature confirmation. For those persons sending their checks using this method, there were no problems.
 - We are looking into e-checking for next year. This should greatly improve the payment of maintenance fees.

- Reef Bar:
 - The physical improvements made during the planned maintenance shutdown period have created an ambience that guests and members are now enjoying. Members can look forward to improved quality and service at the pool bar.
- Re-Sales:
 - Martha Smith who heads of our Sales Department is doing an extremely good job at selling the available inventory.
 - Since my takeover on January 1, 2008, the Club has had an increase in the value of its Vacation Certificates.
 - PIBC was recently evaluated and compared to other similar time-share resorts with whom we compete. The evaluators have determined that we are under-priced and that our weeks should be listed as follows:

<u>Season</u>	<u>Ocean View</u>	<u>Sun View</u>
Winter	\$18000	\$16000
Swing	\$16000	\$14000
Summer	\$14000	\$12000

These recommended prices will take effect January 1, 2011.

Looking forward:

- It is our intention to provide better furniture throughout the Resort for the following areas:
 - Exterior:
 - Pool sides
 - Ocean deck
 - Breezeway
 - Pool bar and its dining area
 - Interior
 - Dining room sets
 - Master Bedroom
- We will also continue upgrades in linens and kitchen items.
- I am proposing that the Management Committee look at the following suggestions with favor:
 - Acquiring the necessary equipment in 2011 for an adequate gym;
 - Arranging a courtesy shuttle to provide at least 3 trips per day to the ferry terminal (morning, noon and evening);
 - Better television programming;

- o More live entertainment to add to the vacation experience; and
- o The expansion of the mini-mart in its present location.

All of the foregoing will of course have to be approved by the Board of Directors.

Conclusion: I am blessed to have a fantastic group of hard-working staff who now share my desire to make PIBC the envy of all Time-shares and restore us to where we rightfully belong - as a Five Star Resort! All their efforts are truly appreciated.

Financial Report:

Mr. Lightbourn opened his remarks by saying that it is important to have a physically sound Club and a financially sound Club. As at today, it can be said without hesitation that PIBC is physically and financially sound. He then addressed the following:

Deficit:

- As at December 31, 2007 the current Management inherited a deficit from Vacations In Paradise (VIP) / Festiva of \$650,000.
- As at December 31, 2008 the Club's auditors, PKF, restated the deficit to \$965,000:
 - There was an operating loss of \$350,000
 - PKF required a Bad Debt provision equal to the receivable due from Festiva - \$255,000 (we expect this reserve to be reduced by \$115,000 by an offsetting accrued payable)
 - Unrealistic Membership Dues - no increase for 7 years
- As at December 31, 2009 the deficit was reduced to \$625,000:
 - There was operating net income of \$135,000
 - There was an improved Reserve Contribution of \$90,000
 - Members Dues contribution specifically for deficit amounted to \$110,000.
- As at September 30, 2010 the deficit was reduced to \$340,000:
 - There was operating net loss of \$20,000 (we anticipate an operating income of more than \$100,000 by year-end)
 - Improved Reserve Contribution position of \$225,000
 - Members' dues contribution specifically for deficit increased a further \$82,500; this contribution will increase to \$110,000 by year-end for a total of \$220,000.

Cash:

- As at September 30, 2010,
 - PIBC's cash and term deposits exceed \$1.85 Million
 - 2011 Dues received from Members total \$1.52 Million
 - PIBC's average monthly cash disbursements approximate \$180,000 (excluding property tax of \$110,000 which is paid at the end of December).
- We expect to disburse approximately \$650,000 by the end of the year ($\$180,000 \times 3$) + \$110,000. Unless we collect more than \$50,000 of outstanding 2010 dues, we could spend as much as \$200,000 of 2011 Dues in 2010 to cover:
 - ✓ \$180,000 for December monthly average disbursements, and
 - ✓ \$110,000 Property Tax.

Accounts Receivable:

- As at September 30, 2010,
 - Accounts Receivable total \$845,000 (for 2010 and prior years) - this amount will be reduced by funds on deposit from PIDL as and when Members are defaulted and PIBC is aggressively pursuing outstanding Members.

Developer Contribution / Defaulted Weeks:

- As at December 31, 2009, the Club had on deposit from PIDL \$320,000.
- As at September 30, 2010, the Club had on deposit from PIDL \$410,000.

- Today, the Management Committee defaulted 93 Members still owing dues for 2009 and, as such, the related dues will be deducted from PIDL's funds on deposit with the Club.

Register of Members:

- We did not receive a Register of Owners from VIP / Festiva totaling 2200 Members. After an exhaustive internal audit, a Register was reproduced. Vacation certificates were scanned and new certificates are pre-numbered. There is a procedural checklist for lost or destroyed certificates. When Vacation Certificates are sold or transferred, this is handled by the Club and the Club is paid a fee.
- Thanks to Shenique Bethel who spent a lot of time creating and maintaining the Register of Owners and to the Members for their patience and help in completing this exercise.

2010 Elections:

Mr. Lightbourn explained that this year the Club's software was enhanced to allow voting on-line. Some Members did not specify who they were voting for and those votes could not be counted. Instructions for on-line voting will be succinctly clear for next elections.

Mr. Lightbourn thanked Mike Patoka whose 2 year term was expiring. Mr. Patoka expressed pride in the improvements to the Club during his tenure and the pleasurable experience of working with the Committee.

Nominees and number of votes for Management Committee Representative:

◇ Alvin Katzman -	10 Votes
◇ Jan Barlow -	19 Votes
◇ Marcia Silva -	19 Votes
◇ Philip DeVito -	25 Votes
◇ Mike Patoka -	133 Votes
◇ James Martens -	143 Votes

Mr. Lightbourn congratulated Mr. Martens on his election by the Members to the Management Committee and thanked the other candidates for offering themselves for the position. He announced that now that the Club is running smoothly, elections will be held every year as anticipated by the Constitution and Members can nominate candidates. He has requested that Committee Members up for replacement not rerun for a 2 year period.

New Business:

Questions asked by Members and answers by the Management Committee Members:

- What percentage of votes is needed for elections - a majority only.
- Have all the valid proxies returned to Tony been counted - Yes.

- What is being done to go after defaulted Members - they will be pursued legally. Their weeks will be sold.
- What about the Festiva debt - the Club is now in a good position to take action.
- Over the last couple years, Tony has done a great job. Will he be given a 5 year contract at the end of his 3-year contract - He will receive a 3-year contract renewal.
- New ideas for the Club include promoting the property for renewal of vows.
- Expansion of the mini-mart - is this going to happen soon - Not to happen in the near future.
- How much is owed by Festiva - Receivable shows \$254,000 (this may be over-stated and should reduce by \$115,000).
- Has the Management Committee looked at how the new Business Licence fee is going to affect the Club - the Club will be okay.
- Concern expressed about e-mail request for \$70 per week subsidy for the Pool Bar because there is no support - In Surveys of Members regarding the subsidy and a vast majority gave a resounding yes. Comments about the Bar include need for better service, more attractive surroundings, better quality of food and more variety. Service has to extend beyond the Reef Bar down to the Beach; now that the Club is physically right, we need to focus on improving the experience; looking to have Bahamian dishes, a variety of foods and timely service. If any Member finds the \$70 untenable, then the Club can sell their week.
- Some concern has been expressed about the online voting and the fact that there is no paper trail - we have good information. All electronic results viewable by Management Committee.

Staff Recognition:

Tony recognized 2 outstanding employees who always step up to the plate, and share his dream of excellence in service. These employees are:-

- Keith Neilly - Head of Masonry / Carpentry; and
- Glenroy Hall - Front Desk / Reservations (now promoted to Front Desk Manager).

Adjournment:

- Motion to adjourn the meeting @ 6:10pm
 - 1st - Lisa Scott, 2nd - David Rice
 - Vote - Unanimous
- The 2010 Annual General Meeting of the Members of the Paradise Island Beach Club was adjourned at 6:10 p.m.

Post Script:

I, Christopher Lightbourn, was one of the people at the AGM that expressed concern regarding the proxies. I am embarrassed that it has generated concern for others particularly as I now know and have confirmed that my concern was incorrect.

Following the AGM, I spoke with the programmer and then verified what he said against the individual on-line votes:

- Management Committee Representative:
 - 175 members owning 309 unit weeks voted on-line
 - the program required that each member select one (1) of the six candidates running for the Management Committee or select "I do not wish to vote"
 - 35 members owning 48 weeks selected "I do not wish to vote"
 - 88 unit weeks voted by paper proxy
 - the results of the election as reported at the AGM are noted below:
 - 10 Alvin Katzman
 - 19 Jan Barlow
 - 19 Marcia Silva
 - 25 Philip DeVito
 - 133 Mike Patoka
 - 143 James martens
 - 349
- Proxies for Other Business
 - the 175 members owning 309 unit weeks voting on-line issued their proxies for Other Business as follows:
 - 247 Tony Knowles
 - 56 Bert Millikin
 - 6 Others

The election is valid. I am embarrassed and disappointed that my actions led others attending the AGM to question same.