



The Reef Resort, Grand Cayman

Minutes of the Annual Membership Advisory Council Meeting

Held on Sunday 24th August, 2014

I. Call of the Roll

Charlie Thompson called the meeting to order and asked those present to introduce themselves;

Gaetan Babin - Resort Co-Director and informed the meeting he had been on the Council for 3 years.

Kathy Perialis introduced herself and explained she had only been called to the Council and this was her first meeting.

Brad Towne introduced himself and confirmed he had been on the Council 4 years.

Phil Fields introduced himself as being on the Council for 4 years and on the Island, 20 years.

Charlie Thompson - Resort Co-Director and had been on the board for 4 years.

Viki Kapusi of The Reef Resort Member Services was also in attendance as was Joanne Conolly, Assistant to Kel Thompson, who was acting as Secretary and taking the minutes of the meeting.

II. Consideration of approval of 2013 minutes

Charlie Thompson requested approval of the 2013 minutes approving the 2014 budget, and everyone had a copy of the last minutes and confirmed they had read the same although not prior to this meeting (although November 2013 they were originally sent out). The minutes were duly approved by Phil Fields and this motion was seconded by Brad Towne.

III. Report on happenings at The Reef Resort

- (i) Gaetan informed the group that the main focus was the Wyndham affiliation. He gave a quick overview confirming himself and Charlie had met the Wyndham group in Las Vegas a year ago (September 2013). Wyndham is a very large organization and have over 7400 properties owned under the umbrella of Wyndham worldwide – the empire of Stephen Holmes. Gaetan confirmed Wyndham have 15 tiers, from the Wyndham Grand, down

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(like a Ritz Carlton) and the Wyndham Resorts and Hotels, the second tier is the tier The Reef Resort wishes to reach and the objective is to get the average daily rate as high as possible. The challenge The Reef faces is in being able to update the resort. This has been communicated to members and is going forward. He explained about the 'PIP' – Property Investment Plan to the Council and the fact that Thompson Resorts are funding the main portion of the improvements which is very unusual in the industry. The special assessment was very well received overall and Gaetan wished to thank the MAC for their patience as this went back and forth for consideration. Some of the changes that were made internally were changes in the management structure with the hire of Jay Smith as Maintenance Manager; Milos Damjanovic who is in Food & Beverage, is General Manager, and Mr Lawrence remains as Resort Manager; also new beach cleaning equipment, improvement in procurement process thus creating savings in excess of 20%; Charlie commenting that this has been made possible by himself and Gaetan working to complement each other with the process dealing with vendors and Gaetan wished to record that the working relationship sits very well between the Directors and he reiterated Charlie's comment that they complement each other well.

- (ii) Gaetan presented a chart which showed from 2011 onwards, we saw 150 people coming into the resort to take a look at the opportunity of ownership and they sold \$126k worth of vacation ownership with 7 people in the Sales Dept, and the VPG was \$1200. Every year it went through an increase until this year when it did \$220k with one salesman. This shows the product, as well as the salesperson, is good. Phil asked who the sales person was and Gaetan confirmed it was Kevin. He said he thought there were two, but Gaetan confirmed Tony Ward the other salesman and his wife moved to Buffalo and retired. As there is less inventory, next month Gaetan will invite people from Seven Mile Beach to be given the opportunity to come and view the product. There is growth in owners, but the more we sell the less is renting, but some people from SMB who come and view may be converted into owners at The Reef. Phil asked how many weeks we had to sell and Gaetan said probably 3-400 weeks left on this side, 1634 means about 80-85% sold. Mostly studios which are left on that side. On this side, there are 2 units who have weeks selling, the rest are quarter share units. You can own a studio for \$8,000 in the summer time so it is not an expensive option. Kathy asked if most of the people were exchangers or renters staying. Gaetan said probably more owners here than any other resort. The average in the industry is probably 20% people come back to their own unit and 80% exchange but it's probably the reverse here. Brad commented he had been coming to the resort 11 years and would not think about going anywhere else. Gaetan said it's a compliment to the property which offers uniqueness, and it's a credit to the MAC. He confirmed Wyndham would not be owning the resort, merely joining with Wyndham and making improvements to the resort.

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- (iii) Gaetan talked about property improvement and explained a designer in Canada was given the job to give an overview, and the lobby area proposal was handed around to the MAC members and it was explained that options were looked at and there was some reluctance to go aggressive on the changes, for cost as one reason but the other if we take away the bistro and kitchen would it not be needed? It was decided that the kitchen and bistro would go. Brad confirmed that complaints had been made from units next to the vents from the kitchen, Gaetan confirmed especially #101. Gaetan said Dave Seagull was brought in – largest developer in the world for timeshare – and said the lobby area was wrong. In most developments you go into the lobby and it's a wow factor, then the room is the letdown, but in the resort it's the other way around. It was explained, looking at the plans, that it has been decided to widen the immediate entrance and split the reception desk into a regular check-in on one side, and a members and Wyndham rewards check-in (like a VIP check-in) on the other. The wall is demolished and there will be a small serving area, for coffee and muffins, and a dumb waiter will be stationed in that area for food to be able to be served from the kitchen upstairs. The main reason for the changes in the lobby was for the wow factor and also to keep a flow going through, and to open up the lobby, with a room for luggage which only the concierge has access to. The floors will have travertine tiles and there will be a change in the ceiling with a split level with the lights in between the two levels, and the fans will be removed. Doors will be sliding doors to the entrance. Brad asked whether there was a split between the reception desk, and Gaetan confirmed it is all one solid desk, but with two people there dealing with each type of check-in. Kathy asked whether the muffins and coffee would be complimentary, as in free, but there is always a cost for this. Gaetan said part of the Caymankind would be to offer a little drink when people come in, however if it were decided it would be free coffee and muffins, then someone has to absorb the cost, and the MAC can contribute, however Charlie confirmed that over \$100k was spent last year by the resort, for free drinks. Brad asked if you were going to charge the coffee and muffins, how you would control it with that kind of floor plan. Kathy asked about the space with chairs which was on the plan – an eating space, a sitting space; Gaetan confirmed all of the above. Creating activity there, but no so that it's too disturbing. People may want to have a breakfast away from the bad weather – Charlie said like 'casual dining'. Kathy asked if there would always be glass doors there, but Gaetan said no, there could be a set of glass doors which operated like a concertina arrangement. Charlie said for instance if they had a wedding and probably transferred upstairs into the restaurant, people would have to have somewhere else to go. Brad said it would have to have a server and would not be a help yourself arrangement? Charlie confirmed this. Brad confirmed it is therefore cost effective to have an employee there, if it was a full food and beverage area being serviced from the kitchen upstairs. The MAC all agreed it should be an idea to offer a free punch, but Phil said should they not be sent out to the bar to collect

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that drink, so they have a good relationship with their bar men, but Gaetan said he would challenge that, as he would like them to have a good relationship with the whole team when they arrive.

- (iv) Phil said Dana was the only concierge last weekend who was offering rum punch and greeting visitors, and Tyris may have been around but he was not assisting in that area, so Phil says having someone stand in line to check in is not acceptable. Everything they ask for when you check in you have already provided. Why can't this not be ready and when you check in, it's just handed over for you to sign. When Phil arrived this time, he said that two young men greeted him and opened the door when he arrived and carried his luggage up to his room, which was the first time someone had ever offered to take his luggage up to his room, and Kathy said she has never had anyone offer to carry her luggage to her room. Phil said Dana recognized him immediately, but the other lady who was new did not (Marika), and he had to tell her 3 times 'I am an owner and I need a gold card so I get the discount', and finally it was understood, but when she checked him in, she checked him in as a guest. So he got hold of Mr Lawrence through the week and asked if they had started changing the sheets every day, and he said no, room service was every week. Kathy said nobody had cleaned her room at all, just emptied the garbage once but no fresh sheets or towels (room 208). She was expecting this Saturday as usual. Phil said the cleanliness of the room was not good. The ceiling fan was black on top and the dust was starting to hang off; the grille for the aircon return on the wall was dirty and this was reported to Mr Lawrence. He felt the rooms should be clean before people move into the rooms. Gaetan said he needs to be informed of these things so he can make this good. Phil also said he told Jay last time he was here, who came up and listened to a water knock and said it would be fixed, however it was not fixed this time. Gaetan confirmed that as the pipes go through the wall in order not to knock out a whole wall, they have to listen with a stethoscope and Jay has completed some of these, and will be completing the rest. Phil said one of the biggest complaints he hears is the units are not clean. Brad said that at Disney properties they are told as visitors they cannot get into a room which has been cleaned, until the unit has been inspected. Gaetan said this may be required so that there is an expect, but an inspect following. Kathy confirmed this. She said there were two pieces of toilet paper and long dark hairs on the floor of the bathroom, although the kitchen was clean in her unit. Phil said in Atlantis when he stayed at \$400 a night, he had to take hair out of the trap in the shower. Phil said it was the same every time he stays here. Brad said he would not use the hot tub in his unit if his life depended on it as they don't get flushed so if someone uses it the week before, water lays stagnant in it, and it's not hygienic. Phil said he introduced himself this week asking if anyone had any comments to bring to the MAC meeting, and he commented that someone told him one jet works in one unit on the hot tub and they were told at the time

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that sand got into the line during Ivan and it will have to be blown out during maintenance week but that was 2004. He also said that security are not turning the gazebo lights off, and the hot tub is cold as nobody has been in it for 3 hours, so he goes out and turns the lights and jets off and he feels these are costing money as it's all electricity that's being used. Brad commented that the three pools – first one was working in February when he was here, now it is not working, it's a stagnant mess. Phil said the children build sandcastles on the steps which get pushed over into the pool and it clogs things up, and it's not made clear that area is for people to wash their feet. Gaetan said it will be inspected and it's good that we are hearing about these problems so we can address them. **ACTION: GB – hot tub jets and outdoor pools.**

- (v) Brad asked when the renovation of the units was taking place. \$397k collected so far for renovations and we are collecting money now so we can go ahead and purchase things. For instance now, bedding, curtains and blinds. We are doing the lobby and bedding this coming September. We have a staged PIP so it lasts 2 years. Charlie confirmed that we are at a 9 month affiliation stage and then we have 2 years to complete the upgrades then the resort will be a full Wyndham. Next maintenance week 2015 September, upgrades, etc. and countertops in kitchen, vanities in the bathroom, shower heads, maybe tubs, will happen then as some of the main demolitions are happening then. Both Kathy and Brad confirmed that the mirrors should be replaced because they were tarnished. Gaetan said that he thought the mirrors may come with the vanity units for the bathrooms. Kathy asked if there were plans to replace the cushions on the patio chairs, as hers on the unit were very bad and she had to use a cushion from the couch to sit on her patio chair and had the same conversation last year about the patio chairs. Charlie said there was not in the PIP and Gaetan said 2 years ago most were replaced. Brad said that by February this year, half the chairs had not been done. Brad also asked about the purchase of the new lounge chairs and whether it was part of the PIP. Charlie and Gaetan confirmed this was not and was part of the ongoing upgrades. Phil commented the chairs do not fold all the way back, only about 90% of the way so they are no good for lying on your front and wanting to tan your back. The old chairs lay completely flat. Charlie said these were the upgraded chairs of the model they already have and the old ones will be restrapped. Phil said that all comments should be published to owners so that they know what to expect, and communication is key. Gaetan said he was surprised to hear some of the comments as for instance, the cushions on the patio chairs should have been done by now. Brad confirmed the lack of response was the biggest complaint he gets from owners when they give feedback and then they come back a year later and nothing has happened. For example Brad said the seal on his outer door in #1 he has complained about for 10 years and it has never been dealt with, so any breeze through the unit, there is a whistle coming from the door. He has to stuff towels around it to stop it. This is the frustration he said

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that members were experiencing because nothing ever gets addressed. Gaetan countered that comment to say that things were being addressed, but Brad said that if an owner's problem is not being addressed then they are right to think that their problems are not being addressed – for example the complaint Kathy just made about the chair cushions. Gaetan said this needs addressing as he signed the cheques, saw the guys doing the work and thought they were done. Brad said he has made comments to other people at the resort but not passed on, in February when he was here, so you have unhappy members if their problems are not being seen to be addressed. Kathy confirmed that communication should be better, so in a newsletter give statistics, for example 80% of cushions have been done, and the rest will be dealt with, so that the members can see progress. Kathy confirmed 2014 we are doing the lobby and the bedding and 2015 the kitchen countertops and bathrooms. Brads said can you do a mock-up for the units to send out to the members like the mock-up you have for the lobby as if we send this out with a timeline, it will build anticipation and excitement and a visual is better as a picture says a thousand words. Gaetan said he had not had an opportunity to get this done, however the focus had been on the lobby area. But someone had commented to him that they should post on the wall a board with the lobby plan for example on it, which would alert members visiting, to the changes which were going to take place. Kathy said sending out the picture of the lobby would build excitement. However, Gaetan told the Council that his assistant was asked to leave the island after 6 years, given 4 days to leave and Charlie said that this was because a suitable Caymanian was available to work, which is a big push by the Government at present, so therefore Suzy Halenda's work permit was not granted. Kathy asked if the requirements of the PIP were met following the work to be done outlined above. Charlie said inside the unit, yes. Kathy asked what other requirements needed to be met outside of a unit in order to satisfy those requirements. Gaetan said there would be the lobby area as discussed, the bar, the front doors, some signage issues too. He said that they would publish these changes to be made and the 2 year plan to appease members, however the final colours had not yet been decided, layouts have not been finally decided, etc. Brad commented you could say 'subject to changes but this is our vision'. **ACTION: GB – presentation board with proposed upgrades to lobby; patio chair cushions; outer door seal #111.**

IV. Review of forecasted financial year 2014

V. Presentation of 2015 budget, club service fees

- (i) Charlie then took the Council through the financials. Pointing out the budget that was approved last October during the MAC meeting; then there was an update on the 2014 which has the first 6 months of actual, plus budgeted numbers for the last 6 months 'forecast'. He asked if anyone wanted an explanation on any of the numbers. Phil asked about 'Social Activities' and the yoga teacher who has to be paid who could not have been all the increase seen in that figure, but Charlie would look into this and get back to the Members on what the increase was. Phil asked whether the entertainment at the bar would make this increase. Charlie said this would not spur too much of an increase, such as \$50 a night for a band to come out. Phil asked why security costs had fallen. Charlie confirmed that they went with 2 security firms this year so that they have a cross-check between guards, so that produced a saving. Overall the main numbers we look at are the \$930 (budget total operating expenses) and the \$935 (forecast budget operating expenses) and the 1% difference was pretty close in the budget and forecast so overall we are doing very well. Phil asked about the \$96 (budget) for housekeeping and laundry with a \$123 forecast and this is being taken \$10k higher for 2015. Charlie confirmed that this was due to then trying some outsourcing for laundry off-site which was run for a month or two which was not a good idea as they were laundering everything off-site and although it was more efficient operationally, financially it did not make sense or save any money.

- (ii) In 2015 we are going to have to spend a little bit more on in-room for the Wyndham branded stuff that's coming in and took the stance to increase housekeeping wages by a \$1 per hour for everyone so that was a significant portion of it. Phil said he read about the Government setting a minimum wage, and asked whether we are above the amount they are talking about setting this as. Charlie confirmed we are, including the gratuities. Gaetan this has always been part of our compensation package. Brad said it was always dependent upon the member adding it. Charlie clarified this would be in food and beverage, and was not the same for housekeeping staff. Brad asked if the housekeeping gratuity was a voluntary one. Charlie said no it is not, for owners there is no charge, and Phil confirmed they can just give voluntarily, but for visitors there is a service charge which makes up this gratuity. Charlie gave an overall letting the Members know they ended on a \$1290 and he reiterated the developer confirmed they would pay any over \$1290 and if it went under the developer would keep the difference, and the way he interprets it, it is like an insurance policy for the member, and it means (1) the member does not come

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back and get hit with a special assessment; and (2) the developer says if I can get more efficient and cost-effective and lower some of these numbers, it's good. He said they were proposing to keep 2015 as \$1290 for all members for club service fees and there may be slight increases on such as the insurance, as last year we got a good deal on the insurance but this may not happen again.

- (iii) Phil asked about per unit from last year with full housekeeping services. Charlie said it was possible the last time full housekeeping services were given to members, the developer probably ended up covering most of it. He commented that he felt you should be able to get more than one visit from housekeeping services a week, for that amount and increase. At this point he made the comment that the green bins with dirty/clean towels and sheets are out on the walkway all the time and have to be walked past all the time, at the corner where the laundry is. He asked if they could be stored elsewhere. Brad commented consistency in housekeeping should be better as this February his unit did not get cleaned on the weekend at all. Gaetan said on a Saturday it should be every unit being cleaned. He said there are no excuses for that, and it is important to find out at the time, so that he could identify who was on shift at that time, and address it. He said that every Thursday an operations meeting takes place and all comments from this meeting will be taken to that operations meeting and will be addressed. Brad said that this kind of housekeeping service would not be tolerated he wouldn't imagine, from a Wyndham-brand standpoint. Charlie confirmed that once again, the developer will guarantee the 2015 budget for members, with no special assessment and a \$1290 club service fee. Brad asked if this was able to be communicated to the membership. Charlie confirmed it should be and Brad said he thought this was an important element to the PIP and explanation of maintenance fees with informing the members no increase as the developer guarantees that amount. Everyone agreed that this should be communicated and Gaetan confirmed this can be in the newsletter and it be marketed as a benefit to being an owner. Brad says one problem is that it becomes expected and there may be a problem the year it doesn't happen, but it is still something that should be communicated to members. Gaetan said it wasn't such an issue for new members as they were being offered a 5 year flat-fee which is subsidized by the price of the sales but after that, it is a big incentive. Phil confirmed it went down one year and then it is staying at the same price for the second year running. Phil motioned that the 2014 forecast and 2015 budget be approved and Brad seconded. Charlie commented that next door (Moritts) the fees were creeping up and although you could not compare the properties, The Reef's costs to members were very good.

VI. Questions & Answers

- (i) Phil asked if they could receive an update in about a month or so on the housekeeping issues. He said that if you decide to put a person that's totally separate from housekeep and maintenance who reports directly to Charlie or Gaetan or Kel so there is no pressure from the groups they are reporting on; as in his Company which is HR but has an independent auditor who reports to Chief Counsel and audits their data. He feels there is a need for that here, so that there are checks on the work done. Gaetan thinks this was a good idea who is detached from all departments and can do inspection of rooms. Phil commented rooms and general property. Brad said general property was Jay's area. Kathy said it should be all areas, like her Company (marketing) do anonymous shopping and a survey afterwards. Those objective eyes are noticed when people at the resort do not notice because they live and breathe it every day. Gaetan confirmed Shaker is very good at seeing things. **ACTION: GB – housekeeping inspector.**
- (ii) Kathy said little things like the rugs and fans which are not part of the PIP – are there plans to update those? Charlie said that there is a reserve which, at the end of 2015 there will be over \$100k in the reserve and this can be used for other upgrades in the unit. Brad says everything has a useful life and needs to be replaced, so this will be useful. Gaetan says at the moment the main focus has to be the lobby upgrades then the PIP requirement and room upgrades, before we focus on anything else. He commented that fellow owners should be going through the MAC for comments, complaints, etc. and for example Gaetan cannot answer 1500 people sending e-mails and there has to be this filter so he would like to see the queries coming through the MAC more often – from whistling doors to cushions – when it comes from one source it is a lot better to address.
- (iii) It was commented that a breakdown in the flow of communication may happen when someone with a concern 'mentions it' to someone on site and it fails to be passed along. Gaetan will put this in the newsletter – any concerns can be addressed to the MAC first and the MAC has to decide who answers the questions on e-mails that come into the MAC members. Brad says reply all, and then everyone on the MAC receiving those e-mails knows who has answered. Phil says if everyone has the MAC@theref.com e-mail address, whoever answers a query can place their initials at the front of the e-mail and they will keep responsibility for that issue right through. Once an issue is dealt with, you move it to the completed box. Phil says Gaetan will receive, but can ignore the e-mails and they will be dealt with by the MAC members. Gaetan wished it minuted that the MAC will work out their protocol for dealing with members' queries that will be used, and it will be announced to the members that the MAC board (with pictures) will be put on the newsletter and inform the members they can use the MAC board to filter their

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questions/queries. **ACTION: GB – newsletter with MAC members' photos and contact details.**

VII. Adjournment

There being no other business, the meeting adjourned at 11.28pm.