



October 21, 2010

Via Email

Dear Coral Sands Members,

I trust that this communication finds you well and beginning to enjoy the fall and winter here in the states.

Over the last couple of months, I have been to Coral Sands numerous times and worked with Harry and the staff on all of the improvements and repairs that we want to get accomplished during the September/October period when the island is reasonably quiet.

As you probably know, we had an incredible storm, Tropical Storm Paula, which pretty much washed out Coral Sands' beach. Below are several pictures that Harry took on property during the storm. You will notice the intense wave washing, and you can see where Harry and the staff were able to pull the deck up and all the water that is coming over where the deck normally resides.



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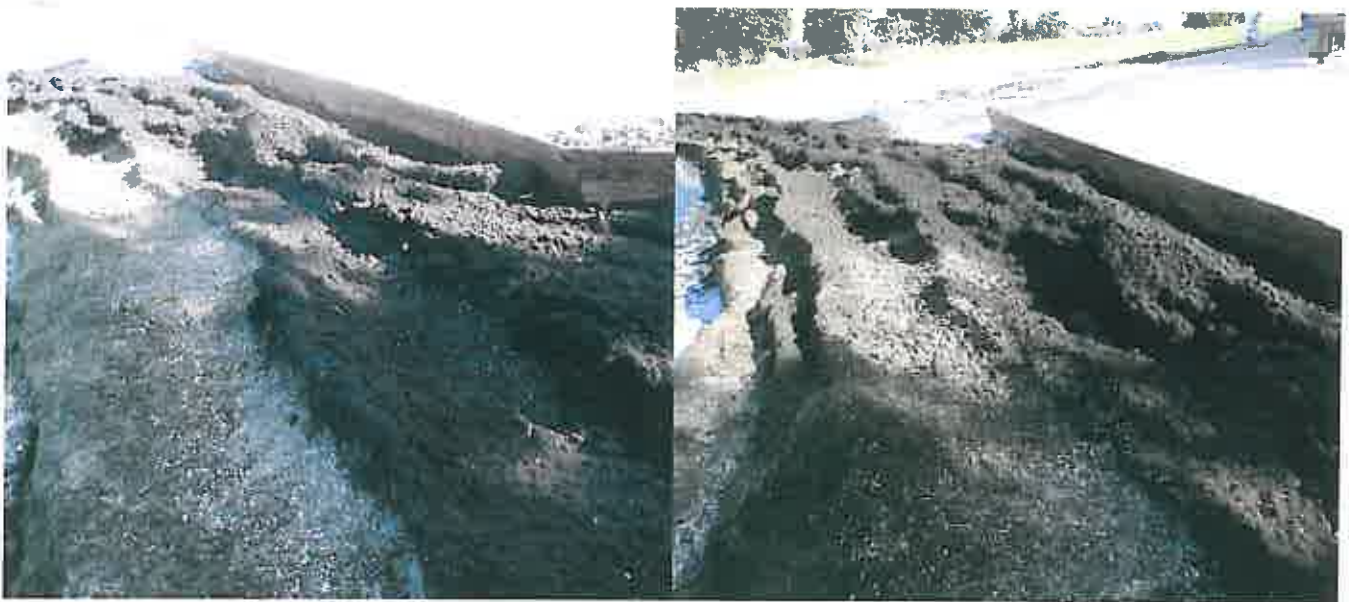


You will see where the sand is beginning to erode from the area of the beach near the handmade wooden retaining wall constructed years ago. Rocks are beginning to show and more rocks are coming up on the beach. We are including several pictures to give you an idea of what has happened to our beach over the last few weeks as a result of this storm.



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Next, I want to share with you pictures of the algae that washed up onto our beach. You will notice from the pictures the green slime of algae that has crept up all over the beach. This was a consequence of Tropical Storm Paula that also caused all of the dramatic beach erosion.



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The next picture shows heavy equipment extracting the algae from other parts of Seven Mile Beach, which is what must be done at Coral Sands.



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Now back to the secondary intent of this update, the renovation work done on our property in September and continuing in October.

The pictures below are of some of the archways being replaced. Many of the archways had to be reconstructed because water had settled over the years and the wooden skeletons were rotting away.



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In particular, the two archways leading in from the parking area onto the pool deck and the sliding glass door area were so badly eroded that we decided to cut them out and place steel rebar in a cage-like fashion and solid-pour these two archways with concrete. These pictures depict that process as it was underway while I was on property. You can also see from the top deck on the second floor where a lot of the area had to be cut out and then replaced and restored with new steel and more reinforcement. I'm also showing you some pictures of some of the cracks from upstairs; this is one of those tell-tell signs that we have some sinking of those archways, which I am happy to report we have taken out.



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In addition to this remedial work we had to do with respect to the archways and the clean-up of some water issue in the parking area, we have set about replacing the remainder of the drapes (a project from last year). After a very unsatisfying beginning to the project on the ceiling of the upstairs deck, we have removed that coating once again. Tile has been placed upstairs and it has been sealed in a method that, hopefully, will remain for many, many years, so we don't have to continuously repair that upstairs decking or accept water on the first floor as a result of the shifting of the decking area.



In addition, we have ordered new mattresses and mechanisms for the sleeper sofas, ordered new covers for the dining room chairs and have purchased three refrigerators and five microwaves for various units. We have also ordered another Adirondack table and four chairs in the white color we have on the brick deck as well as Adirondack beach chairs with arms for the beach area once it is restored.

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We will have to set aside a certain amount for new air conditioning systems that we will install in 2011. Remember, we still have eight 10-seer air conditioning systems left to be replaced, and we are replacing those systems with high quality Carrier or Trane systems that are 13-seer to 17-seer, depending upon the price and availability at failure. We hope we won't have to replace more than one or two in 2011, but within the next two to three years, the balance of the old 10-seer air conditioning systems will have to be replaced.

We've also done a fair amount of fence repairs and have added additional fencing to the east side of the property. As I have already mentioned, we have also had to repair some damaged sheetrock in the garage parking area and install some additional new soffits in the event of seepage or rain overflow.

In an effort to make our units more uniform, we have installed a shower in the downstairs ½ bath in units 4 and 9. The thought is that having two full baths (one upstairs and one downstairs) should increase their appeal. We decided to only update units 4 and 9 and let the members use those for a season to see how well they are received. I think they are absolutely beautiful and the contractor did an excellent job. I believe that all members will be delighted with the new full downstairs bathroom, and if it meets with most people's expectations, we will continue the process of adding the full bathroom downstairs to the townhouses as the years and the economy allows.

At this time, we will probably be able to keep the maintenance fee the same as last year (\$799), but we will have a special project/storm damage repair assessment. We always have our capital projects assessment but this year the storm will increase this cost. Based on what we know today, the capital project/storm damage repair assessment is at \$152.28 and could be a little higher after we get the final numbers on the beach restoration. I think you could probably count on around \$165, making our 2011 fees around \$963 or \$964.

One of our members has suggested we explain why these repairs, such as the rebuilding of the archways and added bathrooms, are not covered in our normal operational maintenance fees assessed each year. The explanations, from management's perspective, is in two parts:

1. Major rebuild or reconstructions are not part of 'routine' maintenance. In this most instant case, while one could see the 'crack lines' in the archways, there was no way to determine to what extent they were deteriorated until we 'opened them up'. Once we had opened them up, whatever necessary action was in order had to begin at that point. There was no time to build the costs into 'next year's fees'. In regards to the two archways leading into the building, we determined that the best, but more expensive, course of action was to install steel rebar and solid-pour with concrete as the probability of any hollow containment not becoming water saturated in that location was remote.
2. Paying for capital items with 'reserve' funds could not happen because we do not assess for reserves. Alternatively, each year we assess for new capital items, such as the new downstairs bathrooms in units 4 and 9, so members can see 'where their money' is going.

We will of course, send you a budget for 2011 once it is approved. The budget will show you the line items where the maintenance fees are allocated.

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I do realize that these are high fees; however, as I've said before, we really have no economies of scale, as we are only twelve units, so there are not that many of us to share in those expenses. On the plus side, we are very small and have a private beach in the Caribbean Sea of which we can boast. I will tell you that I recently visited the island of St. Maarten and was able to talk to a few of the timeshare resorts and operators there and am able to report to you that most of the maintenance fees are considerably higher than ours.

We have almost concluded testing a method where owners who wish to pre-pay their maintenance fee may do so on a monthly basis using an ACH bank draft. As an example, a maintenance fee for 2011 of \$900 would be around \$78 per month including the costs of the service. I am hopeful that we will get the process cleared and be in a position to offer it to you when we send out the billing around mid-November. If you have not already made your 2011 reservation, we encourage you to go ahead and pay your 2011 fee of around \$963 or \$964 upon receipt of billing so your 2011 reservation will not be delayed. If you have already paid your 2011 *estimated* fees and have your 2011 reservation, we suggest you pay your estimated 2012 maintenance fee (estimated now at \$799.00) in November/December so your 2012 reservation will not be delayed.

Starting in January 2011, we suggest you consider making the monthly payment that would equate to 1/12 of the annual fee plus the small transaction fee, so you won't have these huge fees to pay each year after the 2010 for 2011 or 2010 for 2012. I realize this does require you to make a sizable payment this year for 2011 or 2012, but beginning January 1, 2011, you would not be faced with a large payment if you decide to make monthly automatic payments through ACH. You can select to make ACH payments through 2011 for 2012, but you cannot book a reservation until the total estimated 2012 fees (based on the 2011 confirmed fee) has been paid for 2012. I know it is very confusing, but think of it this way, we must insist any reservation be paid prior to booking and you can book a full one year in advance; this means it would always prepaid. Members can and have converted their use from a member stay to an exchange or rental (you have every right to do so), but your manager must be sure all fees are paid prior to use; therefore, prepayment seems to be the only way to administer it. If you make the full payment this November or December for your next reservation, either 2011 or 2012, and begin making monthly automatic payments in January 2011, the huge end of year amount will be gone.

That's about it from your property management company's prospective. I just want to keep you as updated as possible as we get into the fall. Wishing you a great fall and winter, and I still look forward to seeing you on property at your visit.

Thank you,



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