

## 1. The selection of units using the zone unit selection and pricing.

PDF "3. SCR Owner Selection Zones and Projected Pricing" attached shows the owner selection zones and draft unit stacking plan for one of the two new buildings planned for the Seagull and Cayman Reef strata redevelopment. Each building will have a variety of one, one bed plus den, two and three bed units. Each building will mirror the other so the unit stacking plan is the same for each. These guidance notes are intended an aid to selecting your unit but please note that this is a first attempt at unit distribution and not intended to be a final version.

For the purposes of this exercise the units available have been divided into 6 colored zones: Gold, red, green, blue, yellow and purple with gold closest to the ocean and purple closest to the road. The one exception to this is the blue zone in the Cayman Reef owners whose units have 'better' sea views whereas the yellow zone owners for Cayman Reef have 'good' sea views even though they are not closer to the ocean.

The 1<sup>st</sup> and 2<sup>nd</sup> pages of PDF 3. shows the units in each development by unit number and the zone they fall into depending upon their view and distance from the beach.

The 3<sup>rd</sup> page of PDF 3. is a stacking plan that shows the different types of units allocated in each zone. For Cayman Reef, existing 3 bed owners receive a new 3 bed unit with 2 parking spaces, a 1 bed Cayman Reef owner receives a new 1 bed + den unit with 1 parking space and a Seagull 1 bed owner receives a new 2 bed unit with 1 parking space. This represents the fact that a Seagull 1 bed owner is contributing more land area for their 1 bed unit than the CRR 1 bed owner. All owner's new units are projected to be worth around 3 times the value of their current units, projecting a 300%+ appreciation. The non-colored units in the stacking plan represent the units which will be available for the developer to sell to finance the construction of the project.

The remaining pages of PDF 3 show the relative unit sizes, unit prices per square foot and the suggested sales prices of each unit. These formulas are not an exact science but are based upon normal real estate pricing assumptions. For example, you will notice that the values increase vertically floor by floor (with the exception of the ground floor, which is premium priced) and increase from the road to the ocean with the exception of the 2 bed units directly facing the road which have 180° North Sound and Seven Mile Beach views and are also priced at a premium. Being further from the ocean but higher may or may not be a preferred location over lower and closer but it is recognized that owners' preferences will vary, and the intention is to try and satisfy as many owners' preferences and provide owners choices wherever possible.

**The selection process is proposed as follows:**

Owners will be asked to select their choice of unit in accordance with their respective zone color and in accordance with the distance of their current unit from the ocean. Gold zone has first choice of any gold zone or lower. This continues in the order of gold, red, green, blue, yellow and purple. Within each zone, the order of selection is based on the proximity of the current unit to the ocean.

For example, in the green zone for Cayman Reef, the owners of units 28 and 41 would have first choice of the 3 bed units in the green zone or any color zone below green and owners of units 20 and 33 would have first choice of the 1 bed + den units in the green zone or any color zone below green. The same would apply in Seagull where the owners of units 3, 7 and 9 would have first choice of the 2 bed units in the green zone and any zone lower followed by the owners of units 4, 8 and 10.

Based on the order of selection as noted above, owners can also choose to upgrade to a higher value unit by paying the premium of the difference in value or downgrade to a lower value unit and receive a credit subject to availability and depending upon the number of other owners wishing to upgrade. Owners can help pay for their upgrade with their rental stipend or take their credit for a downgrade and contribute it towards a furniture package, mortgage payout or possible cash back if enough demand from other owners is there.

Upgrades and downgrades between zones and sizes are subject to availability. Cayman Reef owners will have first choice to upgrade or downgrade to one bed + den and three bed units and Seagull owners first choice to upgrade or downgrade with 2 bed units.

The process will be coordinated by the developer and the strata managers advised by their respective strata Executive Committees along with the developer.

## 2. Stipends

The developer has allocated a significant initial allowance to fund a stipend program in its preliminary budgets to provide a contribution towards the cost of alternative accommodation for owners who wish to maintain their annual stay on Seven Mile Beach. The stipend can also be used to contribute towards an owner's mortgage payoff, or it could also be contributed towards the cost of the anticipated furniture package or towards the cost of a unit upgrade.

The stipend is not intended to compensate for lost income during the construction period or provide full time accommodation during this time. This will be compensated for by the significant appreciation that the unit in the new development offers. The stipend for owners with an existing 1 bed unit would be US\$100,000 for the three-year projected construction period and US\$150,000 for owners of a 3 bed unit. Examples of different scenarios as to how the stipend can be used are attached in the "5. SCR Examples - Stipend Use" PDF file attached.

## 3. Sales and Buyout Programs

There will be various opportunities for owners to sell their units at different stages of the development process either on the open market or via a developer arranged buyout program.

**Option A) Sale of an owner's existing unit.** Owners can choose to sell their unit between now and the time of demolition by placing their unit on the open market either with IRG or an agency of their choice. The price achievable will likely vary depending upon timing (and of course the condition and location of the unit). For example, once knowledge of the possible redevelopment becomes more widespread there will likely be interested buyers and the developer estimates that owners can probably achieve around US\$1,000 to US\$1,200 per sq.ft., depending upon the unit size, its location and which strata it's part of. Once owners and developer sign a formal "process agreement", the price achievable should be higher than before and could lead to sales prices in the US\$1,400 to US\$1,700 per sq.ft. range. Alternatively, owners can hold off selling their unit until development approvals have been granted and financing is in place - this is the sweet spot to achieve the highest likely pre-construction market prices and prices could reach the US\$2,100 to US\$2,500 per sq.ft. range boosted by the certainty that the development will proceed.

**Option B) Assignment of an owner's new unit.** Once demolition begins, owners can no longer sell their unit as the existing strata plans will no longer exist. Instead the owner will hold an interest in the new development and will be able to assign this to a new buyer if they choose. However, they will not be able to "close" the sale to the new buyer until the new strata has been registered and the land register/parcel file for their new unit has been opened. There are two restrictions in this process - firstly the new buyer would need to be approved by the developer to, for example, make sure they were AML compliant, and secondly, resales cannot occur for the first 18-24 months of the anticipated 3-year construction process, so as not to compete with the unit sales necessary to meet the conditions of the construction financing. After this point owners can list their "new unit" on the open market either via IRG or the agent of their choice. It is not unusual in the market for these "assignment resales" to attract a premium above and beyond the development asking price, dependent upon supply and demand. As such the developer would conservatively estimate that the sales prices shown in the pricing matrix provided would be achievable i.e., starting at US\$2,000 per sq.ft. and upwards but calculated on the increased area of the new units. Lastly, owners can choose to sell their new unit after they take title at what will likely be the highest value achievable, as the complex will be completed, brand new and the units will be ready to move into without delay.

**Option C) Sale of an owner's existing unit to a developer Buyout Program.** The developer is planning to offer a buyout program for owners interested in selling their unit ahead of demolition. The amount offered will be a percentage of the list price of each unit when the development is brought to market. The amount able to be offered will also be a function of the number of units participating in the program.

Examples of Options A, B and C above are shown in the "6. SCR Examples - Sales and Buyouts" PDF file attached.