

# DEVELOPER REPLIES TO QUESTIONS



	Question	Category	Developer responses
1	Will there be different interior finishing options to choose from? Will multiple options (2 or 3) be available, with the possibility of upgrades?	Design/spec	Yes, our intention would be to offer a selection of interior finish options created by the architect's professional interior designers. There will likely be two or three choices of flooring, paint and wall coverings, cabinetry finish, stone countertops, bath room tiling etc. These options would be curated packages by the designers in response to the specifications and criteria developed by the developer in close consultation with the owners.
2	What will the process be for gathering feedback on the final design of the unit layouts?	Design/spec	We would recommend the creation of an owners' representation committee ("ORC") to be formed with designated representatives from the both sets of strata owners. This group would be responsible for gathering information and feedback from the owners. It is anticipated that this group will form an integral part of the design development process and liaise closely with the development team in all aspects of structuring and implementation of the new development including the design phase. The developer is also keen to hold general meetings with all the owners at various points in the development process to give and receive direct feedback.
3	Can we have input on layout designs?	Design/spec	Yes - please see comments above
4	Might there be a possibility to make changes to the interior layouts if they are nonstructural?	Design/spec	Yes, to be clear the apartment layouts presented to date were just indicative examples to allow us to confirm the initial feasibility of the project. Going forward we would strongly encourage the involvement of the owners as recommended above to ensure the fine layouts best meet their needs. Final unit designs would need to be signed off within a realistic time period.
5	Can you offer two versions per suite (i.e. owner vs rental)?	Design/spec	Yes, there would probably be at least 2 different designs for the each type with one possibly focussing more on the needs of owners who wish to maximise rental income and others focussing more on owners who wish to primarily live in the units themselves.
6	Will a furniture package be included?	Design/spec	Furniture packages will be an optional upgrade since not all owners will necessarily wish to purchase one. These would be curated by the interior design firm and colour/finish options offered to complement the interior finish package. Furniture would be resort quality and designed to comply with DOT's short term rental standards.
7	Is there or will there be a Developer Representation Contract between IRG and BCQS for the CRR/SEAGULL Redevelopment ?	Developer	We anticipate this would be covered by and form part of the "Process Agreement" to be provided for the owners' review, input and approval prior to moving forward with the development process. This would specify the developer's role, responsibilities and obligations as well as those of the strata owners, the owners' representation committee and BCQS as the strata's manager. The first draft of the agreement will be provided by Appleby who are highly experienced in Seven Mile Beach redevelopment projects including, currently, Lacovia and Aqua Bay Club.
8	How do we ensure build quality?	Developer	Build quality will be ensured in a number of ways: Firstly, through detailed specifications in the planning and design development process. The developer's architects and consultants will employ rigorous standards in this process and report regularly on progress. Secondly, through full compliance with all relevant building codes again with checks and balances ensure through the build process carried out by consultant engineers such as APEC and other 3rd party consultants such as Cayman Code Specialists. Thirdly, through employment of top tier contractors and subcontractors. Fourthly, as an additional check and balance, the financing institution would typically employ a development specialist to monitor construction progress and approve construction loan draw-downs on their behalf. A third party Quantity Surveyor, for example, plays this role for the developer's funding source at ONE GT. Lastly, a similar third party consultant could also be retained as an owners' representative to ensure additional oversight on behalf of the owners. The developer and the same architectural and design team are experienced in successfully delivering similar scale projects to a high build quality on target and within budget and would intend to bring this experience to bear with this project also.
9	What is your track record with similar projects? Can you provide information about complete projects	Developer	The developer's most recent projects include Harbour Walk at Grand Harbour and ONE GT in George Town. Harbour walk is a multi use project comprising 62 apartments, a retail centre and class A offices. The project was built in challenging circumstances through the Covid period and in spite of spiralling costs and logistical challenges was delivered successfully and within budget. ONE GT is a sophisticated urban boutique hotel with luxury residences which starter construction in June 2022 and will be completed on time and within budget during mid 2025. It comprises 177 apartments and penthouse lofts, 2 pools, 3 restaurants and amenities including a gym, spa and a roof top club with onsite and multi storey parking and an event space. Other recent smaller group projects locally include Silver Reef and internationally the group has been involved in projects such as golf course apartments in St. Kitts and a ski resort with residences in Austria. The developer has also acted as a consultant to a number of major local developments including Camana Bay, Grand Harbour, Cricket Square and the Mandarin Oriental, which is about to break ground.

10	Would IRG want to be sole listing agent or would you consider another agency listing units as well?	Developer	IRG's real estate agency company would act at the lead listing agent for the development, producing and coordinating marketing campaigns, including digital media and developing assets such as the website, e-brochures, and any other marketing collateral needed etc. They would however work closely with all quality local real estate companies to promote the project, providing non-branded marketing materials to allow other agents to present the property their buyers. IRG would also leverage its international network of Leading Real Estate Companies of the World offices in over 70 countries to market and sell the properties globally and encourage participation by other local companies by providing the necessary marketing materials for them to do likewise.
11	Do you anticipate creating a Sales and Marketing sub committee to work on the marketing plan, floor plans and proposed furnishings (like Lacovia has)?	Developer	We anticipate the owners representation committee mentioned above or a subcommittee thereof will provide input into all aspects of the development process including the sales and marketing process. We would also be open to and encourage input on the sales and marketing plan for the new development where the owners would be able to bring value and experience to the table.
12	If an owner wants to take a buyout, what would that entail?	Financial	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. <b>Option A) Sale of an owner's existing unit.</b> 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. 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 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 once again 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. <b>Option B) Assignment of an owner's new unit.</b> 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 <u>but calculated on the increased area of the new units</u> . 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. <b>Option C) Sale of an owner's existing unit to a developer- arranged Buyout Program.</b> 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. Lastly, where "owner-owner" sales occur the developer would be pleased to facilitate the transaction at a reduced or zero fee, dependent upon involvement levels, so long at the unit is not listed with an agency.
13	If I do not want to participate in the redevelopment but wish to sell my unit can you define my buyout options with figures & timelines?	Financial	As mentioned in 12, whilst selling a unit on the open market would likely be the most effective way of achieving the highest and best price, the developer plans to offer a buyout program also. Examples of possible buyout scenarios are shown in the "6. SCR Examples - Sales and Buyouts" PDF file attached and timelines discussed in 12. above.
14	If an owner decides to sell the contract to the new unit, when would that be an option?	Financial	After the development has started and the strata has been destroyed then owners would typically have the ability to assign their contracts to a third party for a significant premium, probably higher than the sales prices achieved in the open market during the pre-construction phase. Typically this premium would be paid at closing once the development has been completed. This method typically offers one of the highest returns for the owner however often means that the owner has to wait until closing to cash out fully although this depends upon what's agreed between the buyer (assignee) and the current owner (assignor).
15	Will consideration be made for the condition/finish/upgraded spec of existing units when allocating new units?	Financial	The existing condition of the unit is not taken into consideration when allocating new units as owners are not contributing their unit to the development but their prorata share of the strata lot based upon its unit entitlement.

16	Will the bank still hold my mortgage? Will owners be required to provide clear title for their unit? How are existing mortgages/charges to be handled? Some are worried the interest will be at a premium. Maybe even include a note that the developer is not profiting on the mortgage payouts.	Legal	If you have an existing mortgage on your unit the bank will require it to be paid off as a condition of their construction financing so that they can place a first collateral charge over the whole site. The developer has undertaken to provide developer loans to payoff of these mortgages to allow this to happen. These loans would be secured using your new unit as collateral and upon completion the developer would then enter a charge against the title of the new unit on its new land register. The developer's lending rate would be at the normal Cayman bank lending rate prevalent at that time for a similar retail mortgage plus 1 percent to cover administration costs. The developer is offering this as a service and not as a money making exercise and as such would encourage these loans to be refinanced by the finance institution of the owner's choice ideally before completion and closing. It is possible that the institution providing the development construction financing may be interested in refinancing this loan and the developer will use its best efforts to facilitate this. Registration costs and stamp duty on the mortgage would also be to the account of the owner but could be rolled into the loan.
17	Can the developer provide a non-binding estimate on the stipend to owners during the construction phase to account for lost income/housing expenses to relocate? Will such stipend take into account market value/rent of my specific unit (e.g. ocean front vs. non ocean front, number of bedrooms, etc.)?	Financial	The developer has allocated a significant allowance of over US\$10 million to fund the stipend program in its preliminary budgets. The program can be used to contribute towards the mortgage payoff discussed above and to provide a contributions towards the cost of alternative accommodation for owners who wish to maintain their annual stay on Seven Mile Beach. 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. Neither would the stipend take into consideration the location or current rents as those aspects would 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 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.
18	What information do you have on stipend for the anticipated ~4 years of construction to support the owners with mortgages and need to find accommodations during the construction phase?	Financial	Please see above. Our expectation is that the construction period from the point that the owner can no longer use their unit for rentals until the new unit will be available will be closer to 3 not 4 years based upon our recent project experience so the stipend will be initially calculated on a 3 year basis. If for some reason there is an overrun outside the agreed construction contract period, the stipend would be topped up to compensate for any additional period on a prorated basis.
19	Once the project is approved and demolition begins- will the owners have any condo-related expenses such as hurricane insurance utilities or management fees?	Financial	No, not as far as the developer are aware however your strata manager can confirm this. We would anticipate there could be some minor costs for admin and book keeping matters for example but the significant costs such as maintenance, insurance and management would not be applicable.
20	Will we be subject to Cayman stamp duty?	Financial	Our understanding that there is no prescribed mechanism in Cayman law for stamp duty to be automatically waived in strata lot redevelopments and that this would need to be negotiated with Government on a case by case basis. Our intention would be to prioritise this, however we would not anticipate this being able to be confirmed until probably the middle of next year bearing in mind past experiences when dealing with Government. Whilst there are precedents for stamp duty not being applicable to owners who choose to upgrade in a redevelopment situation we cannot assume this waiver would be granted however we are optimistically hopeful that Government will see the sense in this. The developer anticipates he would be require to bear the cost of any stamp duty so if stamp duty is appliable it would not directly effect the owners although depending upon the quantum may affect the overall feasibility of the project.
21	Will the developer be responsible for legal fees and all costs associated with the transaction, including any stamp duty payable on the transfer of land and assignment of units?	Financial	The developer will generally be responsible for its legal fees and costs and the stratas will be responsible for their legal fees and costs. That said the vast majority of the legal fees and costs would fall to the developer. For example the developer will create the first version of the process agreement for the owner's review, will create all the sales documents, the assignment templates, handle the sales closing and registration processes, deal with all construction contracts and any associated legal issues that may arise, create the rental management agreements and the covenants and bylaws etc. As mentioned the developer will also be responsible for covering any stamp duty upcharge due on the increased value of the existing owners' units. There should not be any stamp duty payable on the transfer of land either however again we will likely need to negotiate that with Government too. New owners/buyers would be responsible for paying their own stamp duty of course as is normal market practise.
22	How much 'outside' money is being invested?	Financial	Our initial projections show the total project cost to be in the region of US\$140m, however this number is based upon per square foot estimates we've seen in our recent projects and has not been subject to a detailed take off and pricing exercise yet. The final cost also depends upon other variables such as whether stamp duty will be payable, the need for a possible beach replenishment fund contributions and other currently unknown costs. The developer has allocated up to US\$20 million in equity and working capital for the project and we anticipate the balance of capital stack will be more than adequately covered by construction financing and pre-sales deposits as would typically be the case. Initial conversations with our current funding partners have indicated their appetite to provide the construction financing, which is not surprising based upon our close and successful long-term relationship with them.

23	Who is financing the project, and is it fully funded?	Financial	As mentioned we have funding of the project identified both in terms of the internal injection of the equity likely to be needed as well as what appears to be a significant appetite for the construction financing of the project through our current funding sources. Presales deposits including some with stage payments would fund the balance of the project costs.
24	Have you explored financing options and if so, what indicative interest rates are you seeing?	Financial	Yes as mentioned we have had preliminary meetings with a likely funding source which were positive although we are not at the point yet where we are discussing detailed term sheets and interest rates.
25	Will the marketing of the redevelopment come out of the financial model and be funded by the public sale units?	Financial	Some of the marketing costs will be covered by the development funding e.g. brand development for the logo, site hoarding, sales signage and the project website for example, however most direct marketing costs will be covered by the real estate agency e.g., social media, press and digital marketing, international marketing, launch events etc. This marketing would be funded primarily from the injections of developer equity and working capital and not the unit sales proceeds.
26	What will the maintenance fees be? When will the fees commence, and what will they cover? Will they apply as soon as I take ownership at completion of construction?	Financial	Maintenance/strata fees typically cover all management, maintenance, repairs and insurance costs a strata incurs as well as a contribution towards a reserve fund. It's difficult to predict strata fees so far in advance especially since the largest contributor to the fee will be the insurance premiums, which vary depending upon a number of factors. The developer recent calculated the strata fee for its current project at around C\$14 per sq.ft. so a range C\$14 - 16 per sq.ft. would not be unreasonable as an estimate. A new project typically would however not require any strata assessments for significant period and additionally there may well be mechanisms where any net profits from the strata rental management program and other sources could be contributed to reduce the strata fees as seen in other Seven Mile Beach condominium complexes. Examples of unit Strata Fees projected at the numbers above as shown in the "4. SCR Examples - Strata Fee Projections" PDF file attached.
27	Are there additional costs for the new apartment? Will I responsible for maintenance fees, upgrade costs or other associated expenses?	Financial	The only additional costs that come to mind are for the furniture package and for possible upgrade options, which may come out of the design collaboration process. As mentioned owners may be able to cover some of these from the rental/mortgage stipend should they wish to hold it as a credit. Owners will be responsible for maintenance (strata) fees once they take ownership of their new unit however these are not anticipated to be needed during the construction period at which point the strata plan would no longer exist until the new one was formed.
28	Do you anticipate owners, the developer or a private investor funding the pre-developments soft costs (until ground is broken and funds can be drawn from new public sold units)?	Financial	All pre-development soft costs are currently being covered and would continue to be funded by the developer with the exception of strata legal fees up till the point that the process agreement is executed and only thereafter should the strata choose to take its own legal advice for any reason. Pre-sales deposits would typically be held in a segregated account and only released once go button for the strata demolition is pressed and ground breaking occurs. Until that point the developer will fund all pre-development soft costs from it's own funds.
29	Do you expect that the Strata would be the Borrower for the construction funding?	Financial	It is anticipated that a development company will be formed with both the developer and strata as its shareholders. This exact way this company operates will be set out in the process agreement but its primary goal would be to carry out and deliver the project. This company would also be the borrower with the construction financing institution holding a first charge over the strata's land as its primary collateral with additional security coming from the pre-sale deposits and completion guarantees as needed being provided by the developer (and not the strata owners).
30	Do you anticipate the Developer receiving a monthly fee or profits out of public sold units?	Financial	No however salaries and benefits paid to the developer's construction and development team as part of the overall construction budget. The only fee payable from sold unit would be sales commissions, which are typically paid as 50% upon the execution of a firm contract and demolition/ground breaking. Until then they would be held in escrow by the developer's attorney Appleby.
31	Do you anticipate a fixed price contract for the construction?	Financial	The developer will investigate the opportunity for a fixed price contract with a third party General Contractor as a possible option and weigh the cost/benefits of doing so against building the project itself. In this scenario, the Developer would assume the role of the General Contractor and this is the approach the developer has taken with its current projects i.e., developing a conservative budget and managing the contractors directly with its own in-house construction management team. This has resulted in lower overall costs, less impact from change orders and more flexibility to manage the main contractors if they are not performing. A fixed price contract with a 3rd party GC typically comes with a cost premium and the developer and the strata would have to assess the amount of that premium before making a final decision on which is the best way to go. This would of course be done in collaboration with the owners' committee.
32	Have you prepared initial financial model including timeline of unit sales to match construction milestones?	Financial	This would be one of the first steps taken after the process agreement is executed. Developing this model is a complex process and it is essential to get it right as it is a key component of the business plan for the whole redevelopment process. Having recently completed or currently completing major projects using a similar funding models to the one anticipated here, the developer is highly experienced in these types of financial models and would bring this experience to the table with this project.

33	Will non-Caymanians be subject to capital gains taxes back home?	Financial - tax	The developer is not qualified or able to provide tax advice unfortunately and owners would need to obtain their own. That said it would do whatever it can to act as a conduit for this sort of advice where it's available. It is the developer's understanding for example that some US based owners in similar planned redevelopments in Cayman have received advice that there would not be a tax liability since they are swapping their unit for a new one. One option would be for the stratas to obtain details of the various jurisdictions impacted and use an international accounting firm to seek legal tax opinions for all with those affected and those costs be shared by those owners requiring the legal tax opinion. This could happen early in the process to give an assurance to those owners as to the way they'd prefer to proceed. As a safety net the developer would consider financing any capital gains in a similar way to which the mortgages are being financed.
34	Is the developer able to research tax implications and potentially leverage information presumably already obtained by Lacovia owners?	Financial - tax	As mentioned whilst owners should seek their own tax advice, the developer will do their best to help research and to leverage advice that may already have been obtained from owners in other redevelopment projects such as Lacovia.
35	Could the ownership transaction be structured to avoid capital gains taxes for owners subject to such taxes (like US, EU and UK)?	Financial - tax	Please see the comments above. Our only other comment is that the exact advice and structures that may be needed to avoid or minimise capital gains taxes may well differ depending upon the owner's tax obligations and the tax jurisdiction which determines these e.g., US vs UK vs EU. the developer would however do its best to facilitate the availability of tax advice.
36	I would like to know if the developer is unable to complete the redevelopment due to financial problems, how is my interest protected? Basically I am concerned about my risk of losing my unit if the developer goes bankrupt during the redevelopment so wish to know how my interest is being protected.	Legal	The likelihood of the developer being unable to complete the project due to financial problems is exceptionally slim due to the multiple checks and balances that would be put in place by the multiple stakeholders in the process. For example a) the developer themselves whose best interests are only served by delivering the project successfully and would be rigorous in ensuring they were able to b) the strata owner's representatives and consultants who will be able to have full access to oversee various aspects of the project at all stages and c) perhaps most importantly the financing institution who will be rigorous in ensuring their loan will be protected and able to be repaid in full (which will require the development to be completed successfully to do so). The financial model that would be adopted would be one closely monitored by all these parties and would be further bolstered by conservative cost contingencies to cover any possible overruns in line with industry best practises. There is always an element of risk with any redevelopment process however the developer would not wish to undertake this project if the risk is anything other than minimal and if the financial model cannot accommodate significant cost overruns, even though these would not be anticipated. Lastly any redevelopment of these sites will require the stratas to put up their land as collateral so the same risk would exist in all redevelopment scenarios. The developer's job is to reduce and mitigate risk and take a conservative approach to the project to ensure all stakeholders' interests, including the owners', are fully protected. Lastly the developer will be committing significant amounts of his own cash in terms of equity as needed to this project and has projected investing up to US\$20 million to fund the various needs including working capital, stipends, mortgage loans and possible stamp duty costs etc. The exact amount invested will depend on the exact needs and the project financing conditions, however the developer will at all times have significant skin in the game, which will ensure his motivation is at least equal to and is fully aligned with that of the owners to ensure a successful redevelopment. Importantly the developer will only recoup his investment and realise returns at the end of the project when and if it shows a profit.
37	What guarantees exist regarding the financial stability and viability of the project?	Financial	Please see above.
38	Will I retain ownership of my unit during the redevelopment process? Will the developer be able to pledge my unit to secure developer financing?	Legal	As an owner will effectively exchange your unit for a proportionate share in the new development diluted only by the number of new units to be added in the new development. So after the complex is demolished for construction to start, you won't own your exact unit/strata lot any longer but a share of the new development in the form the new unit you'll take ownership of on completion of the development. The financing institution will secure the construction loan with a collateral charge on the demolished sites. Of course demolition will not start until the financing, unit presales and planning permissions are all in place and all parties have pressed the button to move forward.
39	From the material and presentation there is lack of clarity on type of ownership of the proposed strata lots with the inclusion of the word "hotel". Are these land deed ownership with strata the same as Cayman Reef is today? Or are the strata lots to be registered similar to the Ritz or the new hotel in central GT with a hotel structure?	Legal	Apologies for any lack of clarity. The additional services including the restaurant, spa etc offered to guests enable the redevelopment to be considered as a hotel for development density purposes and without them its redevelopment would not be feasible. Hotel building codes are more stringent in many areas for those of apartment complexes so this also ensures the delivery of the highest quality project. In all other aspects the redevelopment will be a normal condominium project and run as a strata. Specifically the land title deed the owners will hold will be exactly the same as you'd see today at CRR or Seagull with each unit having its own "H number" and land register showing its unit entitlement. As mentioned the best comparable for this redevelopment is probably the Caribbean Club as opposed to the Ritz Carlton or Grand Hyatt by way of example.

40	Can an owner list their place for sale now and mention 'redevelopment talks' happening?	Legal	It would be prudent to be careful using actual wording like this in advertising or marketing at least until the Process Agreement is firmly in place but, Cayman being what it is, it won't take too long however before the likely redevelopment becomes common knowledge. Messaging relating to the sites possible redevelopment should be carefully considered however especially whilst applying to planning approvals. An important part of the developer's role will be to manage this messaging and public relations during the whole development process in cooperation with the owners' committee.
41	Will there be any one on one deals or will everyone know what each owner from both properties received in the transfer?	Legal	It's essential there is as much transparency as possible with the whole development process and it is not the developer's intention or preferred course of action to entertain one on one deals either in terms of buyouts or in terms of unit upgrades etc. Subject to complying with all privacy and confidentiality requirements the developer would be happy for what owners from both properties receive to be fully disclosed. The developer will also be providing "Guidance Notes" which will set out how new units are allocated to all owners in a clear and transparent manner, making the process as fair and equitable as possible.
42	Will owners of Seagull & CRR have the same ownership rights as they do now? Will all owners be the registered owners of their specific strata lot within the development?	Legal	Current owners don't give up legal interest in the property at any stage of the development process. They will basically always have a legal interest in underlying common property even once the existing structures have been demolished. Their unit entitlements will be diluted by the new unit owners in the new development but all owners who choose to retain their interest and not sell their unit or assign it to a new buyer will be the registered owner of a new strata lot within the new development.
43	What safeguards are in place to ensure once the building is knocked down that the developer can't walk away?	Legal	The units will not be demolished until all planning permission, financing and all other pre-sale pre-conditions have been fully met there is no predictable scenario where the demolition will occur without the new development moving forward. The contract between the developer and the owners will also mitigate this as will the checks and balances between the developer, their construction funding institution and the owners as set out in the process agreement. By the point of demolition the developer would have invested significantly using his own cash in the new development so would be inconceivable that he would choose to walk away leaving a significant investment not repaid. Apart from being reputationally unwise, the developer's directors would have also provided the construction financing institution with personal completion guarantees for he construction loan, which would then need to be fulfilled, so this and the other safeguards will ensure that the developer practically cannot and does not "walk away".
44	Can some type of bond be put up as collateral to ensure there are enough funds to at least rebuild the 92 units, pool, and basic infrastructure?	Legal	The developer is not aware of the availability of this type of bond however to reiterate the points mentioned above, the physical demolition of the existing complexes and resolutions needed to destroy the existing strata plan would not be passed unless there is the highest level of certainty that the new development will be able to be delivered as planned.
45	Is the developer able to provide a draft redevelopment contract for our review?	Legal	Yes the intention is that this will be one of the next steps. The developer and their attorneys Appleby, will work on this once given the green light to do so by both Strata Executive Committees.
46	What happens if the project is delayed or cancelled? What penalties or compensation mechanisms are in place for project delays or non-completion?	Legal	The developer will put strategies in place to ensure the risk of either is as low as possible, however the answer to the question also depends at what point in the development process we is being referred to. During the pre-demolition period there will be stop/go milestones where both the owners and developers will need to be aligned in order to proceed and one option would be the cancellation of the project in certain circumstances - for example if Planning Permission cannot be obtained. Once the strata plan destruction resolutions are executed and demolition and construction process starts it is essential that delays are minimised and cancelation will not be an option. Delays will incur additional interest charges so the Developer will have plans in place to mitigate all delays including Force Majeure events such as severe weather and, as COVID showed us, unexpected other events. The developer has gained significant experience in doing this and for example, during Covid, was able to limit its site closure for its projects under development to a minimum and delivered successful developments in spite of serious supply chain and other issues that affected the whole industry. In the event that construction delays that led to completion beyond the anticipated contract period the developer would extend the accommodation stipend to the owners as indicated above.
47	What guarantees or securities will I receive? Will a bank guarantee, insurance bond, or escrow account be provided to ensure delivery of the new apartment?	Legal	The owners, developer and other stakeholders are entering into a business relationship and as with all business relationships there is degree of risk. That said the developer's job is to mitigate this risk for all stakeholders and will do this by adopting a conservative approach to all aspects of the redevelopment process as set out above. Any bank providing construction financing will require the developer to agree to guarantees to ensure the development can be completed. The developer will also investigate the availability and cost of performance/insurance bonds as they build their detailed financing model and project budget and assess the benefits of these with the owners committee.
48	What, if any, rules are in place around selling the new units? Are there any restrictions or waiting periods for resale after the new unit is completed?	Legal	The only restriction would be that the developer would need the ability to pre-sell a pre-determined number of the available new units as a condition to the construction financing prior to the owners being able to sell their new units on the open market. This restriction would likely only apply during the pre-construction, pre-demolition period since by the time demolition occurs the prerequisite number of presales will need to have been reached. Other than that owner units can be listed with their agency or agent of choice or owners can sell their unit themselves. IRG - International will be offering a competitive owner sales program for those owners who wish to use it.

49	Do you anticipate needing to restrict current owners from selling their units while the new units are being sold to the public?	Legal	Yes, see above. As mentioned, this restriction would be for a limited period as described in the answer to question 12 above i.e., assignment resales could not occur for the first 18-24 months into the anticipated 3 year construction process after demolition so as not to compete with the unit sales necessary to meet the conditions of the construction financing.
50	What do we do with our current furniture & appliances?	Logistics	Owners may wish to place those items that you wish to keep in storage and sell the rest on the open market. All units will come fitted with new high quality appliances and new designer-curated furniture packages will be available to owners at bulk purchase pricing. Owners will have the choices of buying new or keeping their old furniture assuming it's a good fit for their new apartment.
51	Will we have the opportunity to provide input on the new bylaws or strata operating policies?	Strata management	Absolutely. The developer would strongly encourage this.
52	How will the new Strata be managed? Two existing Strata's that will now run a spa and restaurant could be interesting.	Strata management	This will be a collaborative decision for the current stratas, owners' committee and developer to take. The new strata will obviously be formed as a combination of the two existing ones and by the time this happens the two existing stratas' executive committees and owners will have had a number of years of working closely together in the development process so the likelihood is they this will be an organic transition. To be clear, it is not anticipated that the strata will run or operate the spa and restaurant. We anticipate that these spaces would be sold or leased to professional operators who would take on their day-to-day management. The strata manager's role for these would either be to act as "landlord" and for example collect the rent, or, in the case of that the units are sold to operators, their owners would become new strata owner and as contribute to the cost of the strata's management by paying a strata fees. If the spa and restaurant are leased to a third party operators it's possible some or all of the funds could be paid to the strata manager which could be used to offset strata fees. The final business plan for the development will determine the degree to which leasing is viable or selling the units is necessary to fund the project's redevelopment. In the case the units are leased rental rates in the region of US\$40-50 per sq.ft. per annum might be anticipated.
53	The addition of a restaurant - with the majority of restaurants in condo complexes or hotel /condos there is music. Would the strata for the condos have a say regarding music?	Strata management	Yes the new strata and prior to its formation the owners' committee would absolutely have a say in deciding where and if music will be permitted throughout the development and set regulations accordingly. A restaurant would typically only play background music and a decibel limit could be applied to any music being played on its open patio area. Of course the restaurant is located in a separate building from the condos so there would be little concern about floor to floor sound transmission. Acoustic specialists could also be consulted as needed to advise on this.
54	How will vacation rentals and leases be managed?	Strata management	The developer's recommendation would be that the vacation rentals and leases be managed in-house by the strata management team with an individual probably employed to specifically focus on this whose salary would be paid for from the rental management program's income. This would be the most cost effective way of achieving the highest net rental incomes and returns on investment for owners as opposed to employing a third party to provide these services. The strata may also want to consider feeding any profits it makes from the rental program as a credit towards the development's strata fees as a way of minimising costs and maximising returns for owners.
55	What is planned long term for the day to day management of the condos in the new complex, will it still be individually managed or do we have the complex manage the rentals etc.?	Strata management	The developer would encourage management of the complex by an internally employed strata/property management team who would also offer a rental management program primarily for short term rentals as described above. That said inclusion in this program would be on an optional basis and owners would also have the flexibility to rent their units individually as many owners are doing now or through a 3rd party property manager for example, who would be required to comply with any covenants, rules, regulations or guidelines that the strata may wish to impose. The developer will not impose any requirements for owners to use a rental program or rental pool and the strata take will have the final say on these decisions.
56	What will the name of the new complex be?	Strata management	No name has been decided or discussed as yet. The naming opportunity, along with the associated brand, logo and colours, would be a collaborative decision between the owners and the developer. If needed a brand consultant could be retained to advise on this aspect.
57	Can I continue to use the new unit as a vacation rental property? Will there be any restrictions on rental of units?	Strata management	Yes. Please see the comments above relating to management and the flexibility of owner rental programs.
58	Will there be a management office on the property? If yes, what services will it provide and will it support vacation rental operations?	Strata management	Yes this will be located on the ground floor of the welcome and amenities building close to the reception area. The intention is for it to manage the rental program including the checking in and checking out of guests.
59	Can we continue to occupy/rent our units until demolition? We note that Lacovia was vacated long before demolition	Timeline	The developer would aim to maximise the time owners occupy or rent out their units prior to demolition and minimise the time that the units sit empty. Bearing in mind the developer anticipates paying the owners an annual rental compensation/mortgage stipend, it is highly motivated to keep this vacated period to a minimum. The developers' intention would be to set a definitive move out date with realistic notice period leading up to it and start the demolition immediately owners had fully vacated.

60	What is the construction timeline? How will progress be communicated and are the timeline estimates realistic?	Timeline	We are anticipating a construction period of three years in line with the experiences we have had with our most recent large projects. The pre-construction period is more difficult to predict as it depends upon third parties such as the Central Planning Authority, but the developer would aim for this period to be around a year and no. more than 18 months maximum. This pre-construction period would include finalising design, planning permissions, financing and the start of the presales campaign to reach the required presales and meet the financing condition and then commence construction.
61	What will the selection process be for new unit assignments?	Unit assignment entitlement	The selection/allocation process for new units would be based upon the following criteria: Initial unit type allocation based upon the respective land area and building area contributions to the new project for each strata followed by the size/unit entitlement of each owners existing unit. For example a CRR 3 bed owner will receive a new unit approximately twice the size of the new unit that a CRR one bed owner will receive. Regardless all owners will receive significantly larger new units than their current unit size whilst the location of an owner's new unit will reflect the location and view of the owner's existing units within their current development. All units in the new development will offer a sea view however those owners who currently have a prime sea view will be offered units at the very front of the new development and so on. Please note not all similar types of units in the new development will be priced the same - for example prices will tend to increase from the road towards the ocean and generally from lower to higher floors. As such owners may choose to upgrade their allocated units location and select a unit in a different location within in the new development by paying a premium. The developer rental/mortgage stipend credit could be applied to the new unit selected towards this upcharge. An initial draft zoning, unit allocation and pricing plan is attached as are "Guidance Notes" proposing how the selection process is anticipated to proceed.
62	Please explain the process for determining new unit allocation	Unit assignment entitlement	Please see the comments above.
63	Where will my unit be in the new development?	Unit assignment entitlement	Please see the comments above.
64	How will you determine which apartment/view I can choose from? Can you provide a spec drawing of the buildings and provide the area of the building that I will be able to choose an apartment?	Unit assignment entitlement	Please see the comments above in terms of apartment selection and choice and below in terms of upgrading the apartment in terms of view and location. Stacking plans showing the relative locations of units in the building are attached and as well as "Guidance Notes" proposing how the selection process is anticipated to proceed.
65	Can we see a plan for allocating a new condo for the owners based on the current location of their current condo?	Unit assignment entitlement	Stacking plans and proposed zones for selecting unit locations are attached. To be clear these plans will show the location of the different types of unit on each floor but not show finalised interior layouts, which will need further development and owner input.
66	Can I upgrade the current location of my unit in the new development and if yes, how much?	Unit assignment entitlement	Yes the intention is to offer owners the opportunity to upgrade the location of their new unit as show in PDF "5. SCR Examples - Stipends Use". The stacking plans and these examples also show the opportunities for upgrade (and downgrade) that are open to owners.
67	What is the process for a unit wanting to upgrade to a larger unit or purchase an additional unit?	Unit assignment entitlement	After the initial allocation/selection of the new units is agreed, the developer intends to offer those owners who wish to, the opportunity to upgrade (or downgrade) the location of their unit. PDF "5. SCR Examples - Stipends Use" shows examples of how this might work. It is envisaged that the owners would have the opportunity to upgrade or downgrade in the order they selected their unit. The intention is to make the process as fair and transparent as possible and the opportunity to upgrade or downgrade would depend on the availability of the units. As a first step the developer would plan to canvas the owners through their strata exec committees to determine demand.
68	Will units with larger strata lot allocations receive any benefits or preferences in the new development?	Unit assignment entitlement	Yes the 3 bed CRR units will not only receive a unit twice the size of the CRR one bed units and significantly larger than their current units but also receive an extra designated parking space for use by owners or guests. There are a limited number of CRR units with a slightly greater unit entitlement than the typical 1 and 3 bed units and we suggest compensating for this with a credit towards a unit upgrade or furniture package for example.
69	Are the developer's drawings that were presented final or could they be revisited to consider more 3 bedroom units closer to the ocean? It seems more heavily weighted on 1 or 2 bedroom units closer to the ocean so as an owner of two 3 bed units, one of which being beach fronting, we feel we would be disadvantaged with new unit allocations. If the drawings are not going to be revisited, how might the developer suggest we address this disadvantage?	Unit assignment entitlement	The purpose of the developer's initial plans was to ensure the project was feasible. The developer attempted to take into consideration a fair distribution of new units to be allocated to existing owners and new units for sale to be used to fund the project as the viability of the project depends upon a balance of the developer's and the owners' needs. The goal is the for the new unit allocation to be fair and reasonable and the Stacking Plans attached have attempted to reflect this.



70	What is the process for agreeing upgrades with the developer?	Unit assignment entitlement	Upgrades fall into two categories - of the units' specifications and the units' locations, the latter of which is covered above. Dealing with the new unit standard specifications, these will be decided after consultation with the owners through the suggested representation committee leading to a final set of layouts and list of specifications for finishes, fixtures and equipment that will be included in the standard unit package. These standard specifications would be designed to be consistent with comparable Seven Mile Beach developments in this price range. This process would then identify possible upgrades available, examples of which could be additional appliances to those specified, such as an upgraded wine fridge or a different type of stone counter top, cabinet finish, door finish, floor finish or wall covering. Owners would be offered a list of these optional upgrades and their upcharge costs at the time of sign off of the layout of their units so these could be incorporated into each unit's specifications.
71	Is there scope to consider more bathrooms or is the site plan considered final?	Unit assignment entitlement	Depending upon the unit type more bathrooms might be feasible and a decision to offer these would form part of the collaborative design process envisaged with the owners.
72	Please provide detailed plans, including square footage, number of bedrooms and bathrooms, and included amenities.	Unit assignment entitlement	Detailed and dimensioned plans will be provided after the unit allocations/selections have been agreed and after a comprehensive and collaborative design process with the owners and the developer's architect has taken place. The initial plans provided in the presentations are intended to be indicative only in terms of layouts and space usage however do represent each unit type's likely unit area with the square footages shown.
73	What additional features (e.g., pools, gyms, parking, concierge services) will be included in the complex?	Unit assignment entitlement	All of these amenities will be included in the complex and in addition to that the front amenities building will include space for a spa, a full restaurant with professional kitchen, a fully fitted owners lounge with patio deck and sea views and pickle ball courts. Most the parking will be underground and each residential tower and the amenities building will be accessible from its own dedicated elevator which connects the underground parking garage directly to each residential floor. All owners also will receive at least one dedicated underground car parking space and 3 bed unit owners will receive an additional surface parking space. Other likely amenities will be a pool bar and BBQ areas, and a multi feature pool with shallow and deep bathing areas and one or more hot tubs.
74	What will happen to the retained earnings and any prepayments on invoices such as insurance, etc?		Each strata would be wound down and any cash would be redistributed to owners in accordance with normal procedures for the winding down of a strata plan as may be set out in the relevant Strata Titles Act. The developer would not take control of strata funds. Funds would be redistributed to owners accordingly.
75	What will the interest rates be for the project development and what is the interest on mortgages that will be taken over?		Interest rates on the loan for the project's development would vary depending upon a number of factors including the prevailing market rate, general economic conditions and risk associated with the project. In our experience projects of this redevelopment's funding needed would attract interest rates of at our just under US prime, which is currently 7.5% with a floor of probably around 4%. The developer will use be motivated to negotiate as favorable interest rates as possible with the financing institution to ensure the viability of the project. Interest rates for the mortgages taken over would be at the local bank lending rate for residential mortgages at that time plus 1%.

IMPORTANT INFORMATION

The answers to the questions above are presented on a confidential basis for use solely by the owners of Strata Plans no 52 and 16 and their authorised representatives to assess the viability of entering into an arrangement with IRG Developments Ltd to redevelop the Cayman Reef Resort and Seagull Condominiums sites. By accepting and reviewing these responses, the recipient agrees to treating the information presented confidentially. It may not be distributed or used for any other purpose or to other parties without the expressed written consent of IRG Developments Ltd. It is acknowledged the information presented, where not already in the public domain, including designs and plans, herein are the property of IRG Developments Ltd. This overview has been prepared for informational purposes and is shared upon the expressed understanding that it will be used for only the purpose set forth above. Although the is believed to be complete and accurate, IRG Developments Ltd. expressly disclaims any and all liability for representations, expressed or implied, contained in, or for omissions. January 19th 2025

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