

T R U M P
O C E A N C L U B[®]
INTERNATIONAL HOTEL & TOWER
PANAMA

**P.H. TRUMP OCEAN CLUB OWNERS
ASSOCIATION – PANAMA NEWSLETTER**

August 3, 2015

This newsletter comes from your P.H. TOC Board of Directors to update you with the progress of the P.H. TOC Board of Directors to improve the quality of management and care of your investment/property in the TOC building. A lot of progress has been made during the past two months to make substantial reductions in the operating costs of the P.H. TOC Administration.

The P.H. TOC Board of Directors has in of itself gone through substantial changes after the May 26, 2015 P.H. TOC Extraordinary Meeting to consider the approval of a \$2,500,000.00 special assessment during which only two (2) TOC owners out of TOC 1,100 owners voted yes (other than Trump Organization proxies) to approve the special assessment. The special assessment was soundly defeated with a clear message from the TOC Owners to the P.H. TOC Administrator to better manage the P.H. TOC budget and finances.

After that meeting on May 28, 2015 Mr. Mark Stevenson resigned and left his position as President of P.H. TOC, as P.H. TOC Administrator (appointed by Trump Panama Condominium Management LLC) and as the Manager of the Hotel TOC.

Shortly thereafter, Ana Maria Chanis resigned her position as Director of Residences and Secretary of P.H. TOC of which the two vacant positions were filled by two of the other remaining P.H. TOC Board of Director Members. The P.H. TOC Board of Directors now consists of the five remaining members from the original seven members (which represents a legal quorum) as follows:

Griselda L. Perez, Interim Acting President/Director of P.H. TOC and President TOC Office Component

John Fraser, Vice President/Director P.H. TOC and President TOC Casino Component
Duncan McGowan Secretary and Director P.H. TOC and President TOC Residential Component

Stephen Soloway Treasurer/Director P.H. TOC and President TOC Hotel Component

Gary Lundgren Vocal P.H. TOC and President TOC Commercial Component

In June 2015, the P.H. TOC Board of Directors began working consensually with Trump Panama Condominium Management LLC to identify excess operating costs, overstaffing of P.H. TOC personnel and placing both a hiring and compensation freeze in place for P.H. TOC employees. Through this process the two senior level positions left by the departure of Mark Stevenson and Ana Maria Chanis were not replaced and three additional senior staff positions were eliminated. Further expense reductions were initiated all of which appear to have reduced the P.H. TOC operating expenses by about \$900,000.00 on an annualized basis after the termination costs are absorbed by P.H. TOC.

P.H. TOC under the Administration of Trump Panama Condominium Management LLC incurred losses (excess expenses not budgeted vs. TOC Owner approved budgeted expenses) in the P.H. TOC of approximately \$400,000.00 in 2012, \$1,654,000.00 in 2013 and \$1,095,000.00 in 2014 and \$325,000.00 through May 2015. This continuing situation of losses is and was not sustainable as it put the P.H. TOC into its current state of insolvency after burning through approximately \$1,800,000.00 in cash reserves and leaving the P.H. TOC with approximately \$1,400,000.00 in financial obligations with no money in the bank.

After careful consideration the P.H. TOC Board of Directors made the decision on July 28, 2015 to terminate the relationship with Trump Panama Condominium Management LLC as the Administrator of P.H. TOC effective July 31, 2015. The P.H. TOC Board of Directors has placed a new interim P.H. Administration team in place led by Javier Icaza as the interim P.H. TOC Administrator working closely with the P.H. TOC Board of Directors to lead us through this transition.

Further changes in the P.H. TOC operating/management structure and expenses will be made in the coming days, weeks and months to assure that P.H. TOC can further reduce the operating costs in line with, matching or better than the budget by the end of 2015.

Hotel TOC placed a substantial amount of their dedicated Hotel staff directly onto the P.H. TOC payroll and budgeted the Hotel CAM to accept some but not all of these costs resulting in Hotel operating staff on the P.H. TOC payroll performing work that was completely unrelated to the P.H. TOC duties and responsibilities. The Hotel Component P.H. CAM expenses have substantially exceeded the TOC Owner approved Hotel CAM "budgeted" expenses. The P.H. TOC Board of Directors are working with Hotel TOC to transition these approximately 70-80 employees back from P.H. TOC to Hotel TOC with an interim agreement until the 2016 P.H. TOC budget can be considered and approved by the TOC Owners that will eliminate this situation in the future.

During the past three and one-half years that the substantial P.H. TOC losses were incurred by the P.H. TOC Administrator most of the losses were incurred in the Hotel and Residential Components and these Components along with the other three

Components (to a lesser extent) will each have to bear their proportional share of a special assessment.

The job is not done as there's much more work and difficult decisions to be made by the P.H. TOC Board of Directors but we want to assure each of the TOC Owners of all five TOC Components that the P.H. TOC Board of Directors are acting in your (TOC Owners) best interests to control costs, provide better P.H. TOC management and build a path to the future of financial sustainability, improved transparency, better cost and budget controls.

Although the job is not done (as it's just started) but we have identified the problem and we are implementing the solution. The problem was never lack of sufficient revenues (\$10,000,000.00 in revenues) but rather the problem (and solution is) properly managing the expenses (and the TOC Owners money). The P.H. TOC Board of Directors need your support, suggestions and understanding as we move this difficult process forward.

We are operating on floor 6,(Offices 602) P.H. TOC Offices Component . Our hours are 8:00 AM to 5:00 PM Monday to Friday and 8:00 AM to 12 Noon Saturdays to serve your needs.

Sincerely yours,

Griselda L. Perez
Acting Interm President & Director P.H. TOC
President TOC Office Component

John Fraser
Vice President & Director P.H. TOC
President TOC Casino Component

Duncan McGowan
Secretary & Director P.H. TOC
President TOC Residential Component

Stephen Soloway
Treasurer & Director P.H. TOC
President TOC Hotel Component

Gary Lundgren
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