



**CONDOMINIO VILLAS AT EMBARC ZIHUATANEJO A.C.
Jun 30th 2023 VILLAS BOARD OF DIRECTORS MEETING**

Present: Robert Reyes, (Via Telecom) Dolores Heisinger (Via Telecom), Scot Hein (via Telecom), Jorge Irra (via Telecom), Maritza de Leon (via Telecom).

Meeting called to order at 11:00 am. Roll call: Dolores Heisinger, Scot Hein, Jorge Irra, Maritza de Leon and Robert Reyes. There is Quorum

Representing the management, Pamela Bello, Cody Peters and Francisco Gonzalez.

Robert Reyes asked for a motion to adopt the agenda, moved by Dolores Heisinger and second by Scott Hein, none opposed. Motion is carried.

Robert asked to proceed with the review of the 2022 Audited Financial Statements.

Maritza commented that the auditors expressed that the financial statements present fairly in all material respects. Maritza commented this is a financial report that it's in accordance with the Mexican Financial Reporting Standards. It's the management responsibility to provide all the information within for them to be able to provide their opinion.

Reviewing the balance sheet, we started the year with a beginning fund balance of 4 million pesos and ended the year just over 5 million pesos, which is a positive that the fund balance increased.

We have total of assets of 7,978,466 pesos at the end of 2022 in comparison to 6,446,624 in 2021. Cash and cash equivalents of 1,910,742 pesos. Maritza commented the related parties increase to 2,409,569 pesos in 2022 compared to 1,390,619 in 2021 was due to timing.

2022 net assets of 5,568,896 pesos compared to 5,056,005 in 2021. A positive comparison to year over year.

The revenue in accordance with that of the 2022 budget of 10,134,804 pesos. Interest income is 90,310 pesos.

2022 total operating expenses were 7,513,810 pesos up from 6,674,697 in 2021. The main driver being Utilities at 1,468,643 pesos and the contingency and the capital replacement fund it was expenditure was 2,144,928 pesos.

Robert asked Maritza to explain the decrease in the related parties.

Maritza commented that we collected all the maintenance fees from members and due to timing and the new process with everything that is collected, it was just not recorded. In the second quarter of 2023, we'll see that everything is aligned.

Robert commented to Scott and Dolores, you may be looking at the name as Diamond Resorts, IW Mexico. I will review the update that we have under new business for Hilton Grand Vacations.

But just for from an operating point of view we are keeping the operating name as Diamond Resorts in Mexico and in Canada. In Canada, the reference will, Diamond Resorts Canada, which is part of Hilton Grand Vacations group of Companies.

Dolores asked whether at the end of 2022, we ended up with any surplus at all. In the past, we've had a couple years with surplus and it goes into our Capital expenditures or some fund. Was any money left over at all.

Maritza answered, yes, we have net surplus of 1,407,774 pesos from operating segment and in the other segments there is 4,098,122 pesos.

Robert asked just for clarification to Dolores's question is that 1.4, the surplus coming out of the non-restricted funds?

Maritza commented that this is correct.

Robert asked for motion to approve the audited financial statements for 2022. Moved by Dolores, Seconded by Scot. None opposed.

Robert commented that we will move on to the review of our 2023 year to date financial statements.

Jorge commented this is an unaudited year to date statement. Revenues are showing a 61,000 above budget which represent 1% from the revenues.

The second part we have that payroll and related expenses we see at 382,000 below budget which is 24%.

In operating expenses also, we have a total of 1.1 million which is 46% below budget and again this is just timing. Also, we are seeing some savings in utilities, which are mainly in electricity.

Robert commented to Jorge that he would like to see a report that compares the utilities cost without solar panels and with solar panels

Robert asked Scot what he thought of the installation of the solar panels.

Scot answered that they looked very good.

Jorge asked if they have any other questions so far for the team and the board?

Scot asked if after the rebrand is complete, can we get more information on the details. Will there be more security, will the TVs be bigger, how will a 5-day work week affect our budget

Robert indicated that we can move to the next item on the statements to close this off and then I can cover the question.

Jorge continued, the other operation expenses also showing 128,000 pesos below budget which is 20%. Maritza can you describe what the management fees is reflecting.

Maritza indicated that there's a positive variance in management fees due to the decrease in the overall operating expenses and the alignment. So, you have a 37% positive variance in operating expenses that drives also a positive variance in the management fees as they're aligned.

Robert commented they're interconnected.

Jorge continued year to date we have healthy numbers and a positive variance.

Robert continued to moving on to new business. The first item is the Hilton Grand Vacation update. The official date of rebrand is August 9th and subsequently we're planning on doing an official ribbon cutting on August 15th. So first and foremost, we need to make sure that we meet all the brand standards. Health and Safety is paramount for Hilton Grand Vacations and so to your question earlier, is there going to be additional security and other elements that we will review. I would say that as far as the structure of the security team and so forth. I don't really see that changing too much. We may be needing to look at some additional cameras and accessibility and disability access. As well as reviewing fire and safety.

Any requirement to bring up to Hilton standards with the exception of Health and Safety, which would be an Embarc and Villas cost, Hilton will be paying for, at least for the initial implementation. It could be anywhere from any of the kitchen items, houseware items, and the new bath amenities that are going to be put in place.

We really hope to balance out as we try to minimize any increases and really take a look at the efficiencies and utilize economies of scale so save on costs.

Regarding the comment about the five-day work week it'll be government mandated, so we need to do it. And, personally, I think I've always been challenged with the team working six days. You know you don't get the proper rest. It will be more about scheduling and efficiency.

One of the things that I've been working with our brand operations team and our legal team is how will we address the name of the Villas at Embarc? is it going to change to Villas at Hilton Grand Vacation Club? I'm thinking that it has to but how does it look from a rebranding point of view. There's essentially an association within an association and so that gets a bit complicated from a legal sense and so that is something that I'm working on with the team and figuring out how that will work.

Robert continued, moving on to the next item on the agenda. Plans to deep clean the Villa floors and then revisiting our daily trash pickup service.

Jorge replied, regarding the cleaning of the whole unit, we have now implemented two preventative maintenance dates as well as the wall to wall cleaning to twice a year and apart from that, you know in every checkout housekeeping washes all the bathrooms and the floors and that is what we are doing now.

Dolores commented, I have noticed over the past two or three years an accumulation of grime on the floors in the kitchen and throughout the villa. From my point of view, it is an easy fix but someone will have to get down with a brush, otherwise I don't think that regular mopping will do it. During Covid, staff were not able to enter and we had to put our garbage out at the door. About the stay I had in 407, I noticed details including a white chalky substance on the floor in the back bedroom. This was reported to Jorge and Francisco, who followed up correctly and fixed it.

Robert commented, that this is part of the deep clean. I am curious to see what Hilton will say about our floors. I know Jorge would like to see us try to change it somehow, I don't know what that would look like and so forth. But regardless of that, we need to focus in on those areas.

Dolores continued, the topic of the of revisiting our trash pickup system. I have now been to resorts where we are expected to take out our trash, not outside your door but to a trash receptacle. Maybe trade the daily trash pickup for a midweek, where at least the floors would get mopped again rather than just once a week. That was just one idea. Are we making the best use of what we're paying?

Scot commented, during the week, we like someone coming in not only for the trash but maybe a quick sweep. That's always appreciated.

Robert said, you pay for housekeeping as part of your stay because we removed that as part of the annual budget. I guess what we could do, and I'll meet with the team about it is that maybe we can provide more of an a la carte service menu where you're able to choose kind of similar to what Dolores saying by choosing a midweek clean instead of three daily cleans.

Scot commented, a la carte seems like a good consideration. But I would also like to keep in mind that in the case of villas that are being sublet, we need to have some minimum standards established.

Jorge commented the fee that is charged at checkout. It includes the six daily trash and then a check out and that is an amount and it is what was decided to happen every week. We have the service available a la carte if an Owner or guest would like to have a different service.

Robert said we can possibly offer a plan B which has 3 daily, 1 midweek and a checkout. In addition to the above you can have the a la carte service if you really want to choose additional cleanings. Regarding Jill's comment and the ladies' room by the pool. We will put it in our planned reserves. That's probably what the design-build team will see when they review it as well.

We'll move on to the next item, which is the translated KYC documents, and again I'll refer to Jorge.

Jorge commented, that TP legal has contacted CI Banco. They made a request to the legal entity to have a format in English and they have passed the request to their legal team. But after two days there is no confirmation from the bank. There is no time set for when they will have this full approval nor a confirmation if they will be able to provide it. They continue asking that the owner must complete the documents in Spanish. If you are thinking of making a change in your fraction, sell or transfer of titles, you have to have completed documents.

Scot commented maybe we can pay to make a translated version of the document. We need to get this concluded sooner than later.

Dolores commented I don't even remember where I have those forms or what they would look like in the first place, so maybe we could start by resending everyone a copy, even though it's in Spanish.

Robert asked who sent the trust documents? Do we or CI Banco send directly to the owners?

Jorge replied that the Bank had sent it.

Robert requested that the bank be asked to forward these documents again. Robert commented that the last subject to be discussed is Villa Exchange Program and regarding some of Dolores' questions; Can villa owner use their points to make reservations at Hilton.

Robert replied that would not be able to happen.

Dolores commented that this came up when her points had changed.

Robert replied that to be in line with the Hilton program, 1 Embarc point is now 50 points. Information on this was sent out to all members with the explanation.

Robert continued to comment that our next Board meeting is on November 16th.

Robert Reyes requested a motion to adjourn, moved by Scot Hein and seconded by Dolores Heisinger, none opposed. The motion to adjourn is approved.