

CONDOMINIO VILLAS EMBARC ZIHUATANEJO, A.C.

Board Budget Meeting - November 7, 2024

Determination of Quorum and Call to Order

The meeting was held via video teleconference. Board members in attendance were Robert Reyes, Scot Hein, Dolores Heisinger, Marc Neu and Jorge Irra. Attending from the management company were Alex Canales, Andrea Bertuccini, Eric Paine, Johnattan Tello, Edgar Rodriguez, Francisco Gonzalez, Pamela Bello, Alex Gomez and Christine Riddle.

Mr. Reyes called the meeting to order at 9:03 a.m. PT. All of the board members were present. Therefore, a quorum was established.

Approval of Agenda

Ms. Heisinger made a motion to approve the agenda as presented. Seconded, **Motion** carried.

Approval of Minutes

The minutes from the August 20, 2024 board meeting were presented to the board for their review. Mr. Hein made a motion to approve the August 20, 2024 board meeting minutes as presented. Seconded, **Motion** carried.

Action Items

The following action items were discussed:

- Provide the options for the new artwork to the board for their review
 - Ms. Riddle noted the artwork options are included in the board packet for the board's review. Mr. Gonzalez provided a brief overview and noted the newly proposed artwork is highlighted in red in the packet. The board discussed the options and pricing in detail. The board would like to see additional options for the artwork that are more specific to the resort location itself.
- Draft a letter to the Villas owners regarding the change in cleaning schedule/cost - ensure language states that the larger intent is to help with upkeep of the units and longevity of the products. Include a chart showing the differences between the previous cleaning schedule and related costs, and the new cleaning schedule and related costs
 - Ms. Riddle stated this has been completed and the new cleaning schedule was implemented on October 5, 2024. Ms. Bello noted has been well received by owners.
- Look into options for casting/streaming to the new TVs
 - Ms. Riddle noted that Mr. Gonzalez has received information from TP Legal regarding casting/streaming options that confirmed they do not foresee an issue with the resort utilizing casting/streaming services. Mr. Irra noted there had previously been limitations on streaming services in Mexico; however, the government has changed their stance and it is fully legal. Mr. Canales noted part of the issue with some of the streaming providers is because they are based on where the user resides. Management stated they will continue to investigate the best way to offer streaming services and pricing, and they will also investigate if CastNow is available for use in Mexico.
- Look into how many owners actually still need to submit/have their KYC forms translated
 - Mr. Gonzalez stated they confirmed with TP Legal the cost to translate the KYC forms and include a disclaimer would be \$200 per hour and could potentially take five to ten hours to complete. He noted TP Legal does offer an option to assist the individual owners with completing their forms at a cost of \$250 per form. Mr. Irra stated it is not required for the owners to fill out the KYC form annually, it must only be completed if there is a change in circumstances. Mr. Gonzalez stated that management has asked TP Legal to confirm with the bank that all KYC forms have been received. He noted the bank would likely reach out to the owners directly if needed. The board decided to not move forward with translating the documents and decided if any owner inquires about the form, that management can provide the information for TP Legal to assist.

- Ms. Heisinger requested to add a discussion on the TV placement in the Villas units. She noted she received comments from another owner regarding their concerns of the new TV placement.
 - The board and management discussed the new, larger TVs and their placement in the Villas units. The board discussed the brand standards and requirement to have larger TVs. It was noted there has been positive feedback on the larger TVs, but there has been some concern with their placement, especially in the second bedroom of the units. Mr. Irra noted management has agreed to put the project on hold until the board members can view the new TV locations in person before continuing to move forward with the TV replacements.

Financial Reports

Review 2024 Year to Date Statements

Ms. Bertuccini presented the 2024 unaudited, year-to-date financial statement as of August 31, 2024. She was happy to share the period ended with an unaudited surplus of \$816,979 MXN.

2025 Villas Budget

Ms. Bertuccini reviewed the year-to-year maintenance fee comparison and proposed 2025 operating and reserve budgets. She noted it would be an overall combined increase of 15.68%. Ms. Bertuccini stated the increase is largely due to an increase in payroll expenses due to an upcoming Mexican government imposed mandatory increase in minimum wage, which is anticipated to be 12-20%. She noted this also includes a wage increase for certain team members to avoid compression within the operating departments and to stay competitive in the market. The board continued through the budget discussion and reviewed the 2025 projected expenditures. Mr. Gonzalez discussed the proposed 2025 Priority 1 reserve projects for a total of \$899,079, such as the replacement of one of the two hot water boilers and upgrades and additional cameras for the CCTV system. The board and management discussed areas to further review in an attempt to lower the 2025 budget and possibly postpone non-essential reserve projects.

Approve 2025 Budget Summary and Letter

Mr. Reyes reviewed the Annual Billing Letter, noting the percentage may be updated based on the final 2025 budget approved by the board. After discussion by the board on where savings could be found in the budget to lower the overall increase from the proposed 15.68% down to around the 11-12% range, the board directed operations management to reduce the budgeted 20% wage increase and reduce the reserve contribution. It was noted that business operations management opposed and did not recommend the board to take that course of action to lower the budget. The board tabled the 2025 operations and reserve budget discussion while management prepares a revised budget. The revised 2025 budget will be circulated to the board for their approval at a later date.

*Note to minutes - A revised 2025 operational and reserve budget with an overall combined increase of 11.54% was unanimously approved by the board via DocuSign on November 26, 2024.

New Business

Status of HGV interest in acquiring a single unit (9 shares)

Mr. Neu stated there has not been much movement with HGV potentially acquiring a single unit. He noted HGV is aware of the request and management will continue to pursue options; however, this could still take some time.

Next Meeting Dates

The board reviewed the 2025 tentative meeting schedule, a copy of which was included in the board packet. The Annual General Meeting was set for February 11, 2025 at 10:00 a.m. PT in Zihuatanejo.

Action Item Review

- Continue to investigate the options for new artwork while ensuring to keep the look and feel of the resort location
- Continue to investigate the functionality and costs of purchasing Roku's/Firestick's

- Look into options to include a reminder to owners, possibly in the billing letter, regarding the need to update their KYC forms if they have had any life changes since last filing the form
- Follow up on the placement of the new TVs pending further feedback from the owners and board members
- Circulate the revised 2025 operating and reserve budget to the board via email for review and finalize via Unanimous Written Consent
- Provide any necessary updates on HGV's interest to acquire a single Villas unit

Adjourn

There being no further business, Mr. Hein made a motion to adjourn the meeting. Seconded, ***Motion*** carried to adjourn the meeting at 10:48 a.m. PT.

Minutes prepared by Christine Riddle.

FINAL