



**CONDOMINIO VILLAS AT EMBARC ZIHUATANEJO A.C.  
Sept. 1<sup>st</sup>, 2022 VILLAS BOARD OF DIRECTORS MEETING**

**Vancouver, British Columbia, Canada at 11:00am (PST) on Thursday, September 1<sup>st</sup>, 2022**

**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 11:03 am. Roll call: Dolores Heisinger, Scot Hein, Jorge Irra, Maritza de Leon and Robert Reyes. There is Quorum.

Representing the management, Will Rogers, Francisco Gonzalez, Areli Fierro, and Cody Peters.

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

Second item on the agenda is to approve the Board of Directors meeting minutes from June, Robert Reyes asked for motion to approve, it is moved by Scott Hein and seconded by Dolores Heisinger none opposed. Motion is carried, the meeting minutes are approved.

No further comments.

Moving to the next item in the agenda, to a review the June financial statements, Maritza de Leon presented first the audited balance sheet of the condominium Villas at Embarc Zihuatanejo as of June 2022. First we have Cash and Equivalents with a balance of 5,842,836 and Account Receivable of 5,674,798, and Prepaid Expenses of 429,636.

Accounts Payable 17,789, Related Parties Payable of 1,201,130, Deferred Maintenance Fees 5,067,401, the Retained Earnings - Prior Year is 5,056,006 and the Net Income - Current Year 604,943.

Moving to the income statement, on the year to date Maintenance Fees, we are currently in line with the budget and we have revenues reported because of the investment account we have for 27,216.

Moving to Payroll Expenses, the Payroll and Related is showing a positive 13% of variance, mostly in the administration segment. This positive variance is because there are some expenses that are budgeted to the end of the year that have not been charged. In Common Areas we have 54,003 versus a budget of 59,888 a positive a variance of 5,885. In Front Desk we have 463,107 versus a budget of 533,023. All together a 13% positive balance or 206,942 pesos

Scot Hein asked a general question, in regard to Hilton – are we anticipating the cost of any upgrades with their higher requirements of quality.

Robert replied, in general, there are already a lot of items in line with our standards. This does not mean there is not going to be changes. There are specific standards that they require and their capital replacements are a lot sooner than ours, which we are discussing. There are items that are still of high quality and replacing them too early at an additional cost is a bit of a challenge when you are trying to maintain a high reserve. As it relates of the Villas in Zihuatanejo it is not forecasted to be rebranded until 2024, so there are no immediate impact for this or next year. The advantage with Hilton is the purchasing power.

Maritza continued, moving to Operating Expenses. There are some positive variances 987,831 or 29%. In Administration we have 472,537 against 681,110 pesos, positive variance of 208,573. In Common Areas we have no expenses reported year to date so the variances is 100% with 9,830 pesos. In Maintenance, we have a negative variances of 107,173. Jorge Irra commented in this item there are two drivers affecting this variances, first is that we have made some advance payments and maintenances in order to have the Villas in very good condition for the high season, but also there were some expenses that were not considered in capital projects. Francisco confirmed that we had to buy two microwaves, they are in 405 and 407. And we have been repainting and refinishing the dip pools. So far we have finished 409, 405, 404 dip pools and we painted five other dip pools in building four.

Jorge comments that the variance may be reduced by the end of the year.

Maritza continued with that being said we have an overall variances of 29% in the Operating Expenses.

Moving to Other Operating Expenses, is also showing a positive variance of 22%. In Insurance expense this is completely in line with no variance. In management fees we have 388,202 pesos against 517,061. In Currency Gains and Losses we have 43,142 pesos positive variances, these lead us to a year to day surplus of 1,412,179.

Robert commented a lot of the items presented here are timing issues, so it will balance out at the end of the year

Areli Fierro moves on to present a reserve project update, sharing the projects going on in the property and specifically in the Villas. In regards to Bathroom Sink & Shower Fixtures, the contractors did some demolition in the bathroom to sinks and showers, they redirected plumbing lines and as you can see the new fixtures are complete. For this project, we have recently completed Villa 409 and they are currently working on Villa 407 and programming 405 and 403. We are also doing this project in the club portion and we have received good feedback. Scot had an opportunity to see this work completed.

Terrace Doors and Shutter Replacement, Villa 408 has been replaced and in this same Villa we are also replacing the shutters. For this project we are also doing the same in 406 and 401. You will recall that we did some maintenance in Villa 407.

Kitchen Appliance Replacement, this is a three year project and so far we have installed ten new stoves and new dishwashers. We also purchased new water dispensers and refrigerators. We continue working on the chiller water line insulation. For the television upgrade project, we have placed the order and are awaiting their arrival. Same status for A/C components project, we have placed the order. The Terrace Rooftop Repair project is completed. Minor repairs and maintenance completed in 403,405,412 and 413.

We also want to share details about other projects going on in the property. In the last newsletter, we commented on the exterior painting project. We continue working on this. We have completed buildings 1, 3, 7 and 8. They are currently working on building 4 and 5.

The Palapa Maintenance & Repair project is impressive. Scot had a chance to see this. We took down all the Palapa from the structure by sections. Inspection and repairs were completed. Building 4 Dip Pools have been completed in 405 and 409. The preventive maintenance program, where they go through each and every Vacation Home and Villa is being completed by our Team.

Jorge continues to share details regarding the Solar panels. We found that we need to do some repairs in the structure, we started in August and it will last for 90 days, ending at Dec 5<sup>th</sup>. After these repairs are completed, they will continue to build the base for the structure for the solar panels and it will take 3 weeks to have this completed, once this is finished, the final project will be presented to the municipality and the electricity company to get authorization to connect the power supply from the solar panels.

No further questions or comments for this topic.

Robert asked for a confirmation for the date and time for the board meeting to authorize the budgets for 2023, date and time is confirmed for Nov 17<sup>th</sup> at 11 PST.

Robert asked a motion to terminate the meeting, moved by Scot, seconded by Dolores Heisinger.

Meeting is adjourned