

**CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.  
FEBRUARY 1, 2016.  
ANNUAL ASSOCIATES MEETING**

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In Vancouver, British Columbia, at 10:01hrs. on February 1, 2016 at 375 Water Street, Vancouver, BC, there met at the offices of Intrawest Resort Club Group, the associates of **CONDOMINIO VILLAS AT CLUB INTRAWEST ZIHUATANEJO, A.C.** (the "Association"), whose names and signatures appear in the attendance list attached to the file of these minutes, to hold a **ANNUAL ASSOCIATES' MEETING** (the "Meeting") of the Association, to which they were duly called.

By unanimous vote of those present, the Meeting was presided over by Mr. Robert Reyes and Sandra Ruff acted as Secretary.

The Chairman appointed Jessica Robinson as examiner who, after accepting her office, reviewed the Associates Registry Book of the Association and the proxy letters provided by the representatives of the associates, certified that in accordance with Clause 10.6 of the corporate by-laws of the Association, the required quorum was present at the Meeting, and proceeded to prepare the attendance list attached to the file of this minutes.

Based on the certification of the Examiner, the Chairman declared the Meeting legally installed and proceeded to give lecture to the following:

**AGENDA**

- I. Call to Order
- II. Approve Agenda
- III. Election and Appointment of the members of the Board of Directors.
- IV. Approve expenditure from the Capital Replacement Fund.
- V. Approve expenditure from the Contingency Reserve Fund.
- VI. Appointment of special delegates to carry our and formalize the resolutions adopted by the meeting.
- VII. New Business
  1. Review of 2016 Budget
  2. Move the Selection Cycle
  3. Selling individual shares
  4. New Trustee
  5. Diamond Resorts International

**APPROVAL OF AGENDA**

MOVED by Dolores Heisinger SECONDED by Gregory Lee THAT the Agenda be approved as

presented.  
CARRIED

**ITEM ONE.** In connection with the first item of the Agenda, the Chairman explained to those present, the requirement to elect one member to the Board of Directors of the Association due to the fact that Gregory Lee has reached the end of his term. Gregory Lee has decided not to run for re-election.

**RESOLUTION**

"MOVED by Rocky Barilla and SECONDED by Dolores Heisinger "As there was only one nominee and if there is no objection we will adopt a motion to elect R. Scot Hein as a member of the Board of Directors. Since there is no objection the appointment of each of the members of the Board of Directors of the Association is hereby ratified."

CARRIED

Based on the foregoing resolution, the administration of the Association will continue to be entrusted to the following persons:

**BOARD OF DIRECTORS**

<b><u>MEMBERS</u></b>	<b><u>POSITION</u></b>
Robert Reyes	President
Sandra Ruff	Secretary
Enrique Vazquez Romero	Treasurer
R. Scot Hein	Director
Dolores Heisinger	Director

**ITEM TWO.** In connection with the second item of the Agenda, the Meeting adopted the following:

**RESOLUTION**

"MOVED by Dolores Heisinger and SECONDED by Rocky Barilla that the owners of Condominio Villas at Club Intrawest Zihuatanejo A.C. hereby authorize the expenditure not to exceed the amount of **\$1,284,941pesos** from the Capital Replacement fund for the following:

1. Thermostats,
2. Kitchen Shelving Replacement,
3. Dip Pool Refinishing,
4. Sliding Doors & Windows Replacement,
5. Bathroom Sink Refinishing,
6. Kitchen Counter Replacement,

7. Kitchen Wood beam and Roof Replacement,
8. Chilled Water Line Insulation,
9. Alarm Clock Replacement (same as Vacation Homes),
10. Dining Chairs Replacement.

Discussion notes:

Marie Cummings: Previously approved projects are the thermostats, kitchen shelving, and the dip pool refinishing. The dip pool refinishing will all happen in this year. The sliding doors and window replacement is in the second year of a 3 year project. The bathroom sink refinishing has been changed from refinishing to replacing. Kitchen counter refinishing has been changed to replacing with granite. New projects are the replacement of the kitchen wood beams and the roof. The chilled water line insulation is ongoing. The alarm clock will be replaced with a modern one. Dining room chairs that are not worth repairing will be replaced.

Rocky Barilla: Two questions. The dipping pool, are most guests in favor or neutral, or don't say anything?

Marie Cummings: Most people don't say anything or they use them and enjoy them. I think people do use them. The only comments we receive is that they wonder why they're not hot. They do get used.

Rocky Barilla: The dining room chair replacement. Is there any way that we can make the chairs less heavy so that they won't damage the floors as the current ones do.

Marie Cummings: We will consider this when choosing the new chairs.

**ITEM THIRD.** In connection with the third item of the Agenda, the Meeting adopted the following:

#### **RESOLUTION**

"MOVED by Rocky Barilla and SECONDED by Burke Corbet that the owners of Condominio Villas at Club Intrawest Zihuatanejo A.C. hereby authorize the expenditure not to exceed the amount of **\$1,624,234 pesos** from the Contingency Reserve fund for the following:

1. Club Car replacement,
2. Propane Tank Relocation,
3. Common Area Handrail Replacement,
4. Handicapped Platform Replacement,
5. Domestic Water Pump System,
6. Wi-Fi Upgrade,
7. Fire System pumps and Control Board,
8. Fuel Tank Replacement

Discussion:

Marie Cummings: The first item is as it sounds. The second is that we have been advised by local authorities that we need to move the propane tanks from where they currently are. Common area handrail replacement is ongoing. Handicapped platform replacement is down by the Surf Club that goes up by the gym. It's 10 years old and the equipment needs to be replaced. We will be installing fiber optic cables to every location which should improve Wi-Fi all over the Club.

Robert Reyes: The intent of the upgrade is to improve the signal strength and penetration to all areas. It will allow more devices to be connected at one time without decreasing the speed. The upgrade will increase download speed, improve signal continuity, as well all new equipment with new protocol will be installed. Target date is late spring/summer.

Dolores Heisinger: Are any of these projects multi-year?

Marie Cummings: The only thing is the handrails which is continuous. As well the Club Car, we may need to replace another one next year.

Robert Reyes: In general, just the handrails.

Burke Corbet: On the replacement of Club Car, it would be my observation that they're used a lot on severe terrain and it would be smart to get one that can stand up to the demand. I assume that's being considered?

Marie Cummings: Yes it is.

**ITEM FOUR.** In connection with the fourth item of the Agenda, the Meeting adopted the following:

#### **RESOLUTION**

"MOVED by Rocky Barilla and SECONDED by Enrique Vazquez Romero that Messrs. Aarón Llevet Velasco, Isaac Zatarain Valenzuela, Miguel Ernesto Beltrán Ramírez and Andrés Ferrer Soto are hereby appointed special delegates of the Meeting in order for any of them, indistinctly, if they consider it advisable, to appear before the notary public of their choice to notarize these Minutes and to carry out any other act that may be required or necessary in order for the resolutions herein contained to become legally effective."

CARRIED

Rocky: With this purchase by Diamond resorts and the new trustee we're confused about everything. Is there something we can see that shows how things were, how they are now, and what they will be?

Robert: We can address this in new business.

#### **ITEM FIVE.**

##### **NEW BUSINESS**

##### **Review of 2016 Budget**

Discussion (led by Enrique Vazquez Romero):

The 2016 Villas Association budget reflects a 3.7% increase over the 2015 budget. Here's a

summary explaining any significant variances from 2015. Trust Administration Fee had an increase of \$125,161 is estimated for the 2016 budget as result of trustee substitution in Mexico. This was required because the current trustee has been unable to resolve requests from Villa owners regarding changes to their Villa ownership in a timely fashion.

The change has no relation to the transaction that has taken place between Diamond and Intrawest. Over a year ago we started requesting changes and the trustee was unable to provide assistance. During that time we found out that the trustee was leaving this business.

Robert Reyes: It's important to clarify that a large reason we changed the trustee was at the request of the Villa owners. Through the process we discovered that the previous trustee was no longer interested in doing this type of business. Deutsche Bank is the current trustee.

Enrique Vazquez Romero: The process to look for a new trustee was very complex. When we explained the Villas structure to possible trustees they were not all interested as they were concerned about having to deal with individuals.

Capital Replacement -2016 additional contribution. An additional contribution of \$200,000 has been included in 2016 Budget to the capital replacement fund to maintain and grow the fund. Same amount was included in 2015 Budget. Fire & Safety, a \$44,720 increase is estimated for the 2016 budget as result of replacement of and acquisition of new security supplies needed in the operations for Villas. These supplies include radios, fire hoses and extinguishers and safety equipment maintenance contracts. General Administration, the increase of \$54,765 (6.9%) in this category is mainly the inflation effect projected in Administration expenses such as back office supplies, staff meals, and staff recognition. Utilities – Water, a decrease of 14% or \$43,746 MXP has been estimated for the 2016 budget. Although we continue to experience issues with the inability of the Zihuatanejo Government water supplier to meet our requirements, our operating programs are helping us to reduce this expense.

Robert Reyes: Indira, Dolores was saying she didn't get a copy of the budget and the summary, would you be able to re-send?

Indira Hernández: Yes, I will.

Robert Reyes: Any other questions regarding the budget?

Burke Corbet: Can I have the budget this year as opposed to last?

Enrique: This year is 8,348,059 pesos, last year was 8,048,459 pesos, variance 299,600 pesos.

### **Move the Selection Cycle**

Discussion (led by Robert Reyes):

Request by Mr. Mylett to discuss. When I first received the request I indicated that the selection cycle has been moved twice. The general consensus as I've heard is that the Villa owners would be happy to keep it as is.

Marie: Yes that's correct.

Robert: We will keep the selection cycle as it currently is and it starts at the beginning of May.

### **Selling individual shares**

Discussion (led by Robert Reyes):

Discussion from Mr. Nolon about selling individual shares. Robert read Mr. Nolon's points from the agenda.

Because of our recent transaction with Diamond it's hard to answer a lot of these questions at this point. Diamond has a pretty strong and large rental pool, I haven't had the opportunity to discuss this yet so I can't make any promises but we can definitely explore it.

Rocky Barilla: Would that be through Interval International or would it be through Diamond?

Robert Reyes: It would be Diamond. The way I envision it to be would be to allow owners to deposit weeks for rental and then there would have to be discussion about revenue share.

We could do some analysis about market value and comparables to fractional ownership in other places. Another avenue for information is through the Diamond sales team. We could also ask if there is any interest from them to buy fractions.

Rocky Barilla: I think that as we are not as able to use our points I think what people want to know is if they are going to recuperate the money that they invested?

Robert Reyes: That would be real estate speculation so until you go out to the market it's impossible to know.

Burke Corbet: Do you know of any transactions that have happened?

Robert Reyes: I don't know of any other than one owner selling a week to another, but that has not gone through yet.

I think Villa owners want the ability to sell their fractions at a value that is attractive as well as the ease of execution to do that. We created a document a couple of years ago stating the process for a Villa owner to sell. The Boards role will be to help provide tools to assist but not to assist in selling individual shares.

Rocky Barilla: Intrawest was not involved in the Villa owner to Villa owner sale, and it falls under Mexican law?

Enrique Vazquez Romero: Yes

Burke Corbet: Intrawest has the right of first refusal though correct?

Enrique Vazquez Romero: Yes. A note that the legal advice that a Villa owner gets should be from someone who is knowledgeable in this specific type of transaction. My advice would be to choose the lawyers carefully to ensure they are knowledgeable in the area.

Dolores Heisinger: What are the options or possibilities that at some point Diamond may want to buy out the Villa owners?

Robert Reyes: Want to start by saying the understanding we currently have is that Diamond was attracted to IRCG because we have very strong financial stability and strong operations. They don't intend to change anything. I don't know that Diamond will have any more interest in buying out the Villa owners than Intrawest did. I will ask about that. It's so early though as the transaction just closed on Friday. It's still early days. If that's the direction that the Villa owners want to go I will go and research what the desire is from Diamond as well as the rest of the Villa owners. To summarize I can see that the Villa owners want an exit strategy and I understand that.

Dolores Heisinger: I think to be fair the owners are divided on that.

Burke Corbet: There is another group of Villa owners that is concerned about continually increasing maintenance fees.

Gregory Lee: I was talking to someone who had two advantage weeks. They were asking how much maintenance fees and they were very impressed with our fees.

Robert Reyes: The challenge with maintenance fees is that we are tied to inflation in the area. As well we have to deal with ups and downs in utilities. We're cognizant of concerns of increased fees and decreased service.

Takeaways are that we will approach the Diamond team to see potential opportunities for rentals, as well as selling fractional shares.

Enrique Vazquez Romero: Taking into consideration the inflation in Mexico the increase in the annual maintenance fees is reasonable. It's important as well to remember that the peso is devaluating which is a benefit to Villa owners.

## **New Trustee**

Discussion (led by Enrique Vazquez Romero):

Robert Reyes: The main parts that Enrique mentioned before when discussing the change to the new trustee are that the evaluation started in July, this had nothing at all to do with the Diamond transaction. Part of the drive to change the trustee was that it was driven by the Villa owners, as well as the previous trustee company indicating that they were no longer interested in this type of business.

Rocky Barilla: In Mexico because foreigners are not allowed to own property they have to have a trustee, what are their duties?

Enrique Vazquez Romero: The trustee acts as the owner's interest as the owner is unable to represent themselves as foreigners are not allowed to own property in Mexico. The trustee in Mexico has to keep a record of the beneficiaries of the transaction.

Rocky Barilla: Deutsche Bank was hired and was hired by a manager from Intrawest, why wasn't that vote brought to the Board?

Enrique Vazquez Romero: It was discussed and approved by the Board that there was a need for a new trustee. Having a trustee is a legal requirement.

Dolores Heisinger: I think as a Board we delegated the finding of a new trustee to the manager.

Rocky Barilla: On the form we got they ask for a lot of personal private confidential information. I don't feel comfortable providing some of this.

Enrique Vazquez Romero: The issue is that the trustees have to comply with Mexican law, they are required. If we want to have a trustee the forms have to be filled out, it's a government requirement.

Robert Reyes: What happens if the forms are not filled out.

Enrique Vazquez Romero: For example if you want to transfer your rights to a third party you will not be able to.

Rocky Barilla: What would happen if we don't give the information now but give it later if we want to make a transaction?

Concerned about credit rating for example.

Enrique Vazquez Romero: It's the Mexican credit rating not the US.

Rocky Barilla: Also concerned about security.

Sandra Ruff: We need to ask the trustee what will happen if people don't comply with filling out the documents.

Robert Reyes: I agree.

Enrique Vazquez Romero: Indira did mark what information they need to fill in and what they don't.

Indira Hernández: Highlighted all the sections in yellow that need to be filled in.

Enrique Vazquez Romero: Why don't you take a look at the form again and direct any questions to Indira as she is the key contact with Deutsche Bank.

### **Diamond Resorts International**

Discussion (led by Robert Reyes):

Explanation of the organizational structure: The governing part is Club Intrawest, from that you have the Villas, from that it's broken up into Villa Owners, Club Intrawest Members (90 fractions), Diamond (3 fractions).



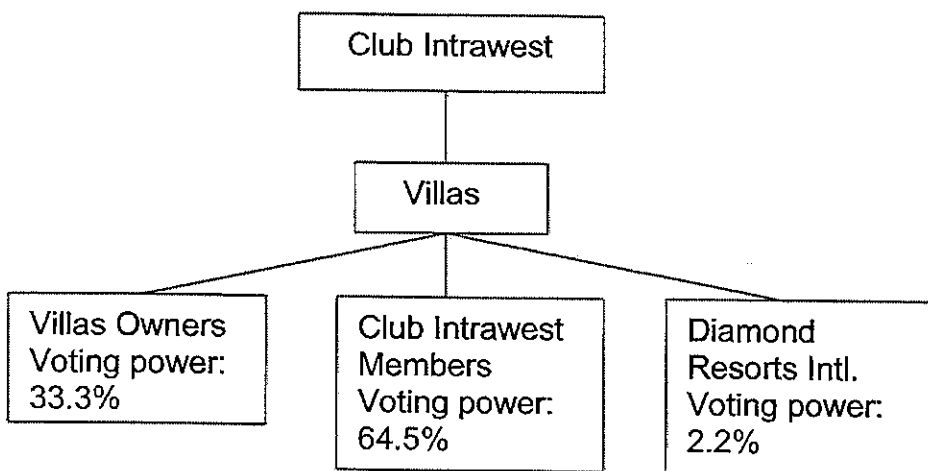
Sandra Ruff: Club Intrawest is a Delaware corporation.

Robert Reyes: Club Intrawest was not sold, IRCG was sold. What was sold was the unsold points, undeveloped land and all of the notes receivable (all of the loans). Club Intrawest is comprised of 9 locations. Club Members own a proportionate share of the 9 locations not one specifically. The name has to change but the ownership cannot be changed as it's in a trust structure owned by the current Members. The manager is the only part that is changing.

Rocky Barilla: Who will now set management fees?

Robert Reyes: For the Club that Board and for the Villas the Villas Board.

Rocky Barilla: Can we put out a diagram?



Robert Reyes: Yes, we can do that.

Rocky Barilla: Club Intrawest is a Delaware corporation, that's not going to move to Vegas?

Robert Reyes: No that can't change. The only change is Diamond now owns that unsold fractions that Intrawest did. They are also now the Manager. However, the management team that you have been working with will stay the same.

A couple of things that have come up in social media are: Diamond will raise the fees. Yes, this has happened in the past. The resorts that they've purchased however have been bankrupt, with no reserve funds. Diamond has had no choice but to deal with this and bring up the level of service and quality. This is not to say that there won't be increases but they will be as they have been due to the operations needs of the Villas and not due to Diamond having the management contract. Based on how we currently operate and our budgets things will be the same. We are completely aligned with Diamonds expectations for service, if anything we exceed their expectations. Another thing that has been said is that Diamond does not take care of their employees. An example to the contrary of this is when the hurricane hit in Mexico it hit the Cabo Azul property which had to be closed for a year. Diamond continued to pay the employees' wages through the entire year while the resort was closed.

Every Club Manager that's in place is still at their Club location, the Management Team is still here and the Member Services Team is still here.

The exchange with Hilton Honors will be stopping. Hilton feels that there's an imbalance of exchange points so they are no longer allowing it for Villa owners and Club Members. The important thing to mention is that the Hilton contract was always for a limited time, irrelevant of the Diamond purchase. There has always been an end date to the agreement that had to be renegotiated.

Gregory Lee: We have been able to trade, is that going to change too?

Robert Reyes: No not at this point but that is also being negotiated. Extraordinary Escapes will stay. You will still be able to trade with partners until such time that the partners choose to change those agreements.

Another note was the value of the Villas. I'm not sure the context. There's varied ways to look at this. It's hard to speculate on real estate. I look at it that Intrawest was not growing the Club and that now there is an opportunity to grow the Club, if you look at it from that point of view the value could increase. There are varying opinions and there are many ways to look at this.

Dolores Heisinger: The most recent Diamond email that came to us over the weekend indicated that Diamond has already told its Members that they will not be able to trade into Club. If that is true then why would Club Intrawest owners be able to trade into Diamond properties?

Robert Reyes: The potential will be that a Club Intrawest Member will be able to buy an upgrade to access Diamond Resorts. The Club is owned by the Members, if they don't exchange out nothing happens to that inventory, only when they exchange out can others exchange in.

Rocky Barilla: I appreciate the effort that has been made to clarify things. I like the transparency throughout the process.

Dolores Heisinger: Will Extraordinary Escapes still exist?

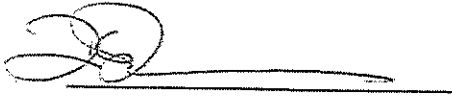
Robert Reyes: Yes.

There being no other matter to discuss, the Meeting was suspended for the time necessary to prepare these Minutes

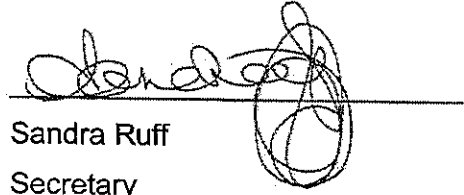
MOVED by Dolores Heisinger, SECONDED by Gregory Lee that the meeting be terminated.  
CARRIED

To the file of these minutes, there are attached:

- a) Attendance list;
- b) Certification of the Examiner; and
- c) Proxy letters.
- d) Capital and Contingency Reserve document



Robert Reyes  
Chairman



Sandra Ruff  
Secretary