

Condominio Villas at Club Intrawest Zihuatanejo, A.C.
Tuesday, March 8, 2011
Expense Allocation Meeting Minutes

Present

- At the offices of Intrawest Resort Club Group
 - Robert Reyes, President
 - Enrique Vazquez Romero, Treasurer
- Via Telephone
 - Pablo Contreras, Club Manager @ Club Intrawest - Zihuatanejo
 - Pat Weller, Owner
 - J Brandt Zembsh, Owner

Line by line revision of the Condominio Villas at Club Intrawest Zihuatanejo A.C. expense allocations. Revision started at 11:03 PDT.

HOA Fees

1. Audit/Legal/Postage/Admin - Based on forecasted costs considering forecasted expenses on 2010 Budget. Everybody agreed
2. Trust Administration Fee – It was made clear that this is a direct expense based on the actual Trust cost by Bank of America. Everybody agreed
3. Onsite Transportation (bell person) – Calculated based on expected check-ins in the year. It was made clear that it is charged based on expected use of Villas according to the number of weeks owned, and not by use or by number of actual Villa occupants. Everybody agreed
4. Cable/Satellite – Clear that this was based on the total number of outlets in Villas, and not by sq footage. Everybody agreed
5. Repairs and Maintenance – It was explained by Enrique how the actual 72-28 allocation for this item was allocated based on the total amount of Repairs & Maintenance done in the Club - A straight 27.68% is being allocated based on the sq footage that Villas represent within the Resort. It was agreed that as of next year's budget, we will forecast the expense based on the actual costs of work, supplies, and labour that is used in Villas, within the four walls, and not on sq footage. The forecast 2012 budget number will be based on the actual 2011 Villa's work costs performed within the 4 walls. Everybody agreed
6. Front Desk – Same as number 3. Cannot be calculated on actual usage. Brandt was wondering how this amount was calculated, Enrique explained that the calculation is based on the expected usage that Owners make of front desk services, considering number of weeks per unit, check-ins, and check-outs. It was also mentioned that there are interactions during the one-week stay that are not accounted for. Everybody agreed
7. Maid Costs – Based on actual labor and supplies cost according to the performed cleaning service provided to Villas. Everybody agreed
8. Linen/China Replacement – China is calculated based on forecasted per unit cost, while linen is shared and based on sq footage
9. Management Fees – It was explained that this item is calculated based on 12% of total HOA operating expenses.
10. Owner Services – Salary of Villa's Owner Service Representative and supplies needed. Everybody agreed
11. Plunge Pools - Maintenance and upkeep of dip pools in each Villa. Based on share of total number of dip pools in Villas. Everybody agreed
12. Property Taxes – It was made clear that this item is allocated on sq footage that correspond to actual property bills of Villas No comments. Everybody agreed.
13. Telephone System – Same number 4, per outlet. Everybody agreed.

At the end only 2 ½ HOA expenses are based on Sq footage - lines 5, and linens in 8. Agreed.

Shared Fees

1. Accounting – Enrique explained clearly that there are several people involved in the accounting process, not only the accounting team of five people in Zihua to begin with, but also his time and that of others who contribute with time to the Villas. It was explained that the hours invested in the Villas Association are allocated separately for the making of this expense. This is a metric that does not only apply to Villas Association, but it is also applied to each of the companies that our accounting staff manages. It was also clearly explained that this expense is not based on number of units or sq footage; it is allocated based on the time dedicated to the Villas Association business per person. While Audit & Legal expenses are well identified within HOA expenses (line 1 HOA Fees), accounting is a whole unit that works for all companies within the Club Location. In response to Pat's question "if it is a big lump amount per month, how do you distinguish what goes to Villas?" Enrique replied that this is not a lump sum and that there are nine different companies, and only the actual time spent by the Accounting Team on the Villas Association is what is allocated. It was made clear that the \$257K budgeted for 2011 is not a percentage. To finalize, Enrique commented that this amount is very small compared to what the Villa Owners Association would pay to an accounting firm just for running the Villas. "How do you measure the time spent in Villas?" The Team logs their hours spent on every single company on a daily basis. Enrique ended the discussion on this item by stating that we will continue tracking time closely to ensure correct billing. Everybody agreed
2. Audit/Legal/Postage – Differs from HOA as this is for the shared facilities and not for the exclusive use of what is the Villa Association. This is based on sq footage and includes licenses and permits for the Resort, including the facilities that Villa Owners have access to. Everybody agreed
3. Common Areas Cleaning & Security – Cleaning costs for all common space, as well as cleaning labor, security and supplies. Based on sq ft. Everybody agreed
4. Federal Zone Beach Area Charge – A specific one time expense per year paid to Federal authorities for the usage of the beach area. Allocation based on sq ft. Everybody agreed
5. Fire & Safety - Includes fire safety equipment and training plus supplies, based on sq ft. Everybody agreed
6. Garbage Removal – It is a direct cost based on sq ft.. Everybody agreed
7. Insurance – It is based on square footage from the total amount charged to the Club Location. Owners complimented the savings on this specific item. Everybody agreed
8. Landscaping – Maintenance of landscaping of common facilities. Allocation to Villas based on sq footage. Everybody agreed
9. Management Fees – It was explained that this item is calculated based on 12% of total Shared Facilities Operating Expenses.
10. Meeting Expenses – It was stated this was an allocation for the travel of two appointed Owners to the annual General Meeting, as well as for any expenses, such as telephone calls for any Villas Association related meetings. Everybody agreed
11. General Administration – Based on actual expenses to have the Zihua Location running. Includes labor of Club Manager, HR, office supplies, administrative expenses, uniforms, recruiting, staff meetings regarding Villas. Everybody agreed
12. Pest Control – Based on sq footage as this expense is made for the overall Resort. Everybody agreed
13. Common Pools – Based on sq footage as well. This is for the maintenance and operation of the common pools that Owners have access too. Everybody agreed
14. Repairs and Maintenance – It was very clear that this is for all repairs and maintenance outside of the Villas 4 walls. This is for all common grounds and overall resort. This item will remain based on sq footage. Everybody agreed.
15. Auto Expenses – It was explained that this cost is associated with running our service vehicle (insurance, repairs, gas etc) based on sq footage. Everybody agreed
16. Utilities – Explained that they are charged based on square footage as we only receive one bill of every concept (gas, electricity, water) for the entire resort. Everybody agreed.

Robert - Every year we have and we will continue trying our best to place allocations fairly to every entity. We want to be fair for Villa and Club owners. Intrawest, as the largest owner, pays the largest fees to Villas, in line with the expense allocations.

Brandt – The overall annual fee per fraction per Owner seems to be rather high.

We mentioned other Resorts and refer to the comparison chart with other fractional ownership and full time resorts in the Zihuatanejo area.

We mentioned that if we took the shared facilities part away we would not have what we have at The Villas. We must include shared facilities expenses because we are a large resort, we are different and we include many amenities, including the benefits of a full service property in Mexico. Compared to NY and California Owners pay a lot less.

Mention on the Sotavento next door was initiated by Pat –

Their Rental program will not work for him and for many Owners. You must be part of their rental pool and there is no guarantee. Sotavento is selling under the promise that your fees will be paid with the rental program. Sotavento will have large maintenance fees and has no capital reserve in place. Actual fees will be drastically changed once they are in full operation.

Back to allocations - sq footage is much better than other methods. Pat mentioned that looking at number of stays 78% vs. 22% (for winter period Club vs. Villas) the number comes close to the actual 25%, but as an idea – looking at a new metric that might even more fair - usage vs. sq footage...fewer stays would mean less wear and tear, but Villas owners use it more in summer months...introduce a new metric applying usage is on the table...but it is fine as it is...

Robert- the occupancy 66% for Club, Villas is 58% during the year (confirmed by Pablo).....on a metric by usage you will pay more. The challenges? - we cannot charge cable on usage, same as any time of labour; there a lot of fixed costs that we cannot base on occupancy or use....real estate ownership cannot be “turned on and off” based on usage. Simple unplanned factors, such as H1N1, negative press, acts of God or political events can change occupancy drastically even from week to week.

Pat – Is occupancy considered per number of people in a unit?

Occupancy is based on check-ins and check-outs. For occupancy purposes one check-in is considered as such regardless if there are 1 or 6 people in the unit.

Pat – Just want to make sure than when braking from HOA to shared facilities expenses we are not double counting...want to ensure that we are accounting accordingly.

Enrique ensured there is no double charge on any item.

Pat – Mentioned the challenges he is having booking flights with Alaska Airlines on Saturdays, stating that Alaska had cancelled their Saturday flight in May

Pablo – It was true that the Saturday flights were full, but not cancelled. It was mentioned that Alaska had confirmed flights operating daily all year long. Pat was suggested to check other options. The commitment was made that Pablo was going to check for airlines status flying into Zihua and keep Owners posted of his findings.