



# GRAND RESIDENCES

BY ROYAL RESORTS®

ADVISORY COUNCIL MEETING  
OCTOBER 21, 2021





# General Introduction

## GRAND RESIDENCES ADVISORY COUNCIL MEETING, OCTOBER 21, 2021

**Advisory Council Members:** *Douglas Bayerlein, Hugo Carlos Berlanga, Evelyn Hogue Dowell, Joseph Whitlock, Judson Wyatt*

The annual Grand Residences Advisory Council meeting was held at the resort on October 21, 2021. All the Advisory Council members were present.

### The Advisory Council meeting

Council members met with Dr. Kemil Rizk, President, Royal Resorts Chief Operating Officer Javier Vales, Chief Financial Officer Fernando López, Vice President of Resort Operations Armando Millet and members of their staff in the Bicaci Room. Resort Manager Daniela Trava was on maternity leave and in her absence Armando Millet toured the resort with the Council after the meeting.

Dr. Rizk gave a presentation on global travel trends, the Mexican economy and tourism before touching upon sales at Royal Resorts and Grand Residences.

He began by discussing the continuing effects of the COVID-19 pandemic. In 2020, it had a dramatic impact on the world economy and tourism; global GDP plummeted to -3 percent, -4.27 percent in the United States and -8.95 percent in Mexico. Economic recovery began in 2021, with GDP now at 5.9 percent for the world, 5.7 percent for G7 economies, 6 percent in the United States and 6.2 percent in Mexico.

However, it is still a challenging time for travel with international arrivals down 80 percent worldwide in the period January-July 2021 when compared to the same period in 2019 and weak tourism revenue. Most tourism professionals expect the rebound in international travel to take place in the second or third quarter of 2022. A UNWTO Panel of Experts survey even saw 45 percent of the respondents forecast that international travel will return to 2019 levels in 2024 or later.

Although demand for air travel is picking up, the emergence of new variants around the world is an ongoing concern. Widespread vaccine rollout, lifting of travel restrictions and clear and coordinated travel protocols among countries will be key to the tourism recovery and boosting consumer confidence.

Dr. Rizk briefed Council members on the performance of the Mexican economy. GDP is growing again at a rate of 6.25 percent (in 2020 it fell -8.31 percent), but inflation also jumped in recent months to a year-end forecast of 5.37 percent. The exchange rate was stable in 2021 after some depreciation in 2020. The government's energy policies: the capitalization of Pemex, the national oil company, reforms to maintain the monopoly of the CFE or Federal Electricity Commission and limit private sector investment in the generation of green energy are creating uncertainty.

Tourism is on the road to recovery in Mexico with significant increases in air passengers and earnings, bucking the global trend. Mexico's air departures have been rising above pre-pandemic levels since May 2021 and have been outperforming the world since August 2020. Quintana Roo is spearheading the growth, Cancún air traffic levels are now close to those of 2019 and are set to overtake them. There is pent up demand for travel, Mexico never placed restrictions on air travel or incoming visitors; people feel more confident about traveling to beach destinations; free COVID-19 testing, and additional hygiene standards implemented by hotels; widespread vaccine rollout in Quintana Roo and a decline in cases are all factors that have played a role in this. Close to 85 percent of the adult population in Quintana Roo has received both vaccination jabs, in Mexico the figure is 69 percent to date and continues to rise. A booster program has also now begun.

Dr. Rizk added that offering the antigen COVID-19 testing service for members and guests has cost Royal Resorts over US\$1,000,000 to date.

With the roll out of vaccines for children in the United States and the uptake of booster shots and the opening of borders by Canada, Europe and South American countries, it is to be hoped that the recovery will pick up even more steam.

Dr. Rizk commented that in 2022 rentals and occupancy levels are projected to return to 2019 levels.

Turning to trends in the Fractional industry, Dr. Rizk commented that it was hit by the pandemic but to a lesser degree than the timeshare industry. Timeshare industry sales in the United State fell by -53.3 percent, in contrast, fractional sales decreased by -9.6 percent, from a much lower sales base. He observed that in general terms, the fractional industry has not recovered from the 2008 recession.

Dr. Rizk explained that in the industry, Private Residence Club sales and prices have gone up in recent years. The 2020 Grand Residences list price of US\$68,741 is only 4.2 percent above the market average but is lower per square foot, at US\$1,549/sq. ft. (-20.6 percent). Furthermore, although the Grand Residences Club Service Fee is three percent above the industry average of US\$2,300, it is significantly lower when square footage is considered (-30 percent) and covers a wide variety of five-star hotel services, not widely available in Private Residence Clubs in the United States.

Industry pundits still believe that the shared ownership concept will bounce back in the future because of the flexibility it offers families.

Dr. Rizk then gave the Advisory Council an update on the completion of the resort. He noted that the final touches are being put to the architectural and engineering design for phase 3 and 4 and that there are plans to start construction during 2022 to be completed by the end of 2023, this will include the suites, restaurants, the spa and other guest services. However, these plans are contingent on the Company obtaining loan financing from its banks.

He then went on to brief Council on the new Hotel Franchise Agreement that Grand Residences signed in 2021. He explained that the affiliation with Leading Hotels of the World was only contributing two percent in occupancy and that six other resorts in the area are also affiliated with LHW. It was felt that a franchise with a stronger hotel brand would yield better results. The company studied 19 different luxury hotel brands and decided that Wyndham Hotels & Resorts' new luxury brand Registry Collection Hotels was the best fit for Grand Residences. The Wyndham global booking engine and distribution and marketing channel support will give the resort worldwide coverage.

Registry Collection Hotels launched on June 2 with Grand Residences as the flagship resort. Offering luxury without limits, gourmet dining and exceptional experiences, the brand will have properties around the world; at least 18 are in the pipeline for 2022.

Dr. Rizk noted that they expected a 10 to 15 percent increase in occupancy because of the new franchise and that rental revenues for the period June -September 2021 actually rose 461 percent in channels previously used with Leading Hotels of the World.

As part of the franchise agreement, the resort has had to switch reservations systems to the Opera platform, this has caused some issues and IT is working on solutions.

In a response to Mrs. Hogue Dowell about the perception of the quality of some Wyndham properties, Dr. Rizk commented that



Wyndham Hotels & Resorts is one of the world's largest (the largest in terms of number of properties, 9,280) and most diverse hotel groups with a collection of 21 brands for different sectors of the market, including high end chains. Registry Collection Hotels is a luxury brand with standards that are on a par with those of Leading Hotels of the World.

Council then asked about the cyber incident that hit Royal Resorts in May 2021. Dr. Rizk explained that it affected 100 servers and caused the loss of a month and half's information. The personal information of members was not compromised. In the wake of the attack, Royal Resorts invested US\$400,000 to upgrade security systems.

Dr. Rizk then briefed Council on fractional and points sales at Grand Residences and explained the reasons for the commercial alliance between Royal Resorts Signature Club and Wyndham Destinations, the goal of which is to enhance the Grand Residences Points program, adding more flexibility and member benefits. Through Royal Resorts Signature Club Wyndham Benefits, Elite members can now use their Grand Residences Points to stay at 120+ Club Wyndham properties in the United States. Other select Club Wyndham benefits include Suite upgrades, VIP check-in and Points discounts based upon availability.

Sales and Marketing Director Jerry Flores commented that the new benefit has been very well received and that membership sales are increasing. The affiliation with Wyndham Destinations is exceeding expectations, growth in 2021 stands at 47 percent when compared with 2019.

Mr. Wyatt asked about the ease of converting Grand Residences Points to Wyndham Points. With a personalized Call Center to assist members, arranging an exchange to a Wyndham property is a seamless process. Points can also be converted to Wyndham Rewards to use when booking stays at 9,000+ Wyndham hotels and resorts around the world.

Addressing the Royal Resorts Rewards program, Dr. Rizk commented that 47,000 Royal Resorts members and guests have signed up to date and that the company has distributed US\$8,668,460 in Rewards, US\$6,403,573 of which have been redeemed. Members can use Rewards to pay the annual Club Service Fee, the club bill at the end of their vacation, to book eligible stays through Royal Reservations and to donate to the Royal Resorts Foundation. Additionally, Signature Club members can now earn and redeem Royal Resorts Rewards for qualifying travel and lifestyle product purchases when using the Privileges by Royal Resorts online platform.

Dr. Rizk went on to brief Council on the new Power Purchase Agreement which came into effect on January 1, 2022. Royal Resorts has signed a three-year contract with INFRA, a clean energy bank. The agreement will bring savings in energy costs for all the resorts.

Mrs. Hogue Dowell asked about the new fiber optics system at the resorts installed by Gignet. Microwave has been installed at Grand Residences and discussions are underway with neighboring resorts to see if they will also come on board. The new internet system has a coverage of 20 MB per device throughout the resort. Up to eight devices per unit are permitted and streaming will be possible.

### Grand Residences Operations Report

Armando Millet then briefed Council on Resort Operations. He noted that Grand Residences is currently No. 3 in the Puerto Morelos area in Tripadvisor with a 4.80 rating. A large new all-inclusive resort opened in 2021 and went straight to the No. 1 position. In the Medallia guest satisfaction survey Grand Residences has an overall rating of 9.09 for

the last 12 months and 4.75 out of 5 in the Social Review component.

In 2021, Grand Residences was recognized with the Safe Travel seal, the Booking.com Loved by Guests award, and the prestigious Condé Nast Traveler Readers' Choice award as one of the Top Hotels in Eastern Mexico, for which it scored 94.77 and is in position no. 14 in the listing.

Mr. Millet noted that in the period January-September 2021 occupancy was above 60 percent.

In other resort news, Guido de la Mora was appointed in 2021 as the Executive Chef. Mr. de la Mora's career has taken him all over the world. He has worked at top restaurants and luxury hotels in Barcelona, Dominican Republic, Barbados, Curaçao, Miami, Kuwait, Dubai, Qatar, San Luis Potosí, Guadalajara, the Riviera Maya and Playa Mujeres in Mexico.

### Improvements at the resort in 2021

These included:

- Kids Club redesign and décor
- New murals in the Teens Club
- New suburban van for guest transportation
- Jacuzzi retiling project
- Repairs to the pool in villa 529 and roof waterproofing for villa 428
- Repairs to the tennis court mesh fence
- Maintenance for the Doctor's Office
- Repainting pergolas, fountains and signs
- Residual water treatment plant maintenance
- Cleaning reverse osmosis plant
- Laundry maintenance
- Electrical system maintenance
- Painting building roof tiles
- Repair of street lighting
- Complimentary antigen COVID-19 testing service
- New faster and more secure internet service

Mrs. Hogue Dowell reported problems with the TV and the image freezing. Armando Millet commented that once the Gignet internet service is launched, this problem should be eradicated. He explained that Management is also working with the cable company that serves the resort to add more TV channels. The rate for the new high-speed internet price is reflected in the 2022 budget.

Mr. Bayerlein asked about the upkeep of the Reverse Osmosis water purification plant and was informed that cleaning and filter changes are carried out regularly. All the water consumed at the resort comes from wells and is processed through the system.

In the ongoing Preventive Maintenance program 15 villas were completed in 2021 and the plan is to complete 40 villas in 2022. As part of the maintenance program, the air conditioning system is completely overhauled (over and above regular cleaning processes during the year), furniture and doors are stripped, repainted and given a new coat of varnish. Chairs, sofas and upholstery are deep cleaned. Technicians also call every month to check appliances are functioning correctly.

Mrs. Hogue Dowell asked if Royal Resorts is having problems obtaining spare parts and Dr. Rizk replied that in keeping with the United States and other parts of the world, supply chains have been disrupted in Mexico too, with delays in obtaining products, parts and even construction materials.

Mr. Millet explained that the integrated room system that was budgeted in 2021 has not been installed yet. It is delayed in Customs due to a government change in the certification process.

Mr. Berlanga commented that some tiles need to be replaced on the gym roof and note was taken for follow up.

Mr. Millet then turned to the sargassum that washes up on Mexican Caribbean beaches at times during the spring and summer. At Grand Residences, seaweed is collected and removed by hand, the resort does not have a tractor. In response to a question from Mrs. Hogue Dowell about seaweed and beach erosion, he explained that the proliferation of seaweed in recent years is related to climate change and rising sea temperatures and will continue to affect the entire Caribbean region. He added that there was some beach erosion in 2020 after the area was hit by three storms, but in general Cancun's beaches have stood up well since the last beach restoration in 2011. If erosion advances beyond the acceptable level, the government will step in with a beach recovery program.

Armando Millet also mentioned that maintenance was carried out in the restaurants and bars in 2021 but that this is a Developer expense and is not reflected in the Operations budget.

He noted that the resort will need another Heat Exchanger and a new Reverse Osmosis plant for Phases 3 and 4.

Mr. Whitlock asked about the poor condition of the access road and Dr. Rizk explained that the Municipal government is only responsible for the upkeep of the first section closer to town and that the remaining stretch is the responsibility of the neighboring condominium complex. Despite several requests, it has failed to repair the road. Jerry Flores added that the new Mayor of Puerto Morelos only entered office in September 2021. Management will continue to reach out to both stakeholders in this important project.

Armando Millet concluded the presentation by mentioning that that Hurricane Grace caused minor damage at the resort to the tune of US\$18,580. The 2020 storms Hurricane Delta and Zeta caused damage costing US\$117,800 and US\$126,400 respectively.

With no further questions or comments at this point, CFO Fernando López presented the financial statements. He began with a summary of the 2020 report with year-end figures.

Resort Operating expenses were 3.6 percent more than budgeted and the Net Income Operation or Net Loss of -US\$125,021 was -498.9 percent higher than the amount forecast of US\$25,058.

In 2020, Housekeeping Maintenance expenses were 19 percent higher than budgeted and includes the purchase of equipment and new kitchen appliances to replace worn models in the villas as needed. There were some savings in Sports Services, Operational Services and the Gym.

Mr. Wyatt asked about rental income and it was explained that the Developers pay Club Service Fees for the units they own. If a Developer unit is rented the rental income goes to the Developers or to Owners if it is a Member unit. In addition to the Club Service Fee for company units, the Developers pay the resort deficits and foot the operating expenses for Resort Businesses such as restaurants, bars and the Spa.

Turning to 2021, CFO López explained the financial statement in detail. The Income Statement comparison accompanying this summary shows budgeted and actual (forecast) income and expenses as of September 30, 2021 with estimates to the end of the year.

The 2021 budget was prepared using an exchange rate of \$22.58 pesos to 1 US dollar, but the year-end forecast was \$20.11 pesos, a negative variation of 11 percent. This meant that the resort received 11 percent less in pesos and as most resort purchases are paid in pesos, there was a shortfall. CFO López commented that the exchange rate is not expected to fluctuate in 2022 but to be stable at this level.

The inflation rate rose in 2021 to 5 percent. Furthermore, due to labor law reforms affecting subcontracting and the transfer of staff between companies, the resort had higher labor costs.

CFO López explained that ongoing Royal Care Standard purchases of cleaning products and sanitation services provided by external companies were factored into the budget for 2021 and also for 2022.

In Resort Operating Expenses for 2021, Housekeeping Services and Maintenance recorded increases of 7.3 percent and 8.8 percent. The 88.6 percent increase for Amenities was due to an allocation change; Member Transportation was a similar case at 88.2 percent over budget. Operational Services is 14.4 percent over budget.

In contrast, Fixed Assets and Major Repairs came in 17 percent under budget and the Internet Service was also 38.5 percent less than budgeted.

In General and Administrative Expenses, the 468.1 percent increase in the Other Expenses line item covers the complimentary COVID-19 antigen testing service at the resort for owners, members and guests. CFO López explained that Management budgeted four months of testing for 2022 and will continue to monitor reentry requirements for the United States and Canada.

CFO López noted that the resort paid more Property Tax in 2021, 36.3 percent over budget. The resort recorded a loss of US\$918,848 for the year.

Turning to 2022, CFO López referred to the premises used in budget preparation, including a forecast exchange rate of \$20.20 pesos to US\$1 (see sidebar at the end of this report). He also informed Council that Management was proposing a Club Service Fee increase of 7 percent for Fractional and Points memberships.

In his presentation of the 2022 budget, CFO López noted that the resort will need to rehire staff as occupancy rises.

He explained that where line items show an increase of 5 or 6 percent it can be attributed to inflation. Housekeeping Services shows an increase of 10.2 percent, Housekeeping Maintenance 61.7 percent and Maintenance and Machine House 17 percent to cover purchases and maintenance projects needed to keep the resort in perfect condition. However, Management and staff are extremely careful to control expenditure.

As a result of the new power purchase agreement, some savings are expected in the Electricity line item.

The 2022 amount budgeted for Fixed Assets and Major Repairs is 76.3 percent less than 2021. The Gym line item is 12.7 percent less than 2021.

Mr. Berlanga mentioned that the equipment in the gym is now showing its age and heavy use. Dr. Rizk responded that the new Spa will have a larger gym with new fitness machines and equipment.

The high-speed internet line item shows a 100.6 percent increase for 2022, taking into account the launch of the new service.

The projected net income for 2022 is US\$730,136.

The Fixed Assets and Major Repairs requested for 2022 cover repairs to the ramp paving and roof waterproofing for the emergency generator.

CFO López mentioned that the 2021 deficit of \$918,848 is the reason for the recommendation to increase the Club Service Fee by 7 percent.

Mr. Bayerlein asked about the 3 percent Club Service Fee increase at The Royal Sands. CFO López answered that every resort is different, for example The Royal Haciendas also had a 7 percent increase in the Club Service Fee. The Royal Sands is a larger resort with economies of scale and significant cash reserves, it is 21 years old and recently completed a



villa renovation project with new furniture and décor for its 340 villas. At the Royal Islander the Club Service Fee increase was 3 percent and the resort also has cash reserves.

In contrast to the other resorts, Grand Residences is budgeting a deficit and does not have reserves.

Dr. Rizk said that once the resort is completed, it will have many more units paying Club Service Fees. Furthermore, the expenses will not double and there will be some economies of scale. It will be possible to bring the resort out of deficit.

CFO López also noted that Operating Expense requests were analyzed and reduced when preparing the 2022 budget, and that the numbers reflect a compromise to keep the resort in optimum condition and maintain the highest of standards.

Mr. Bayerlein noted that inflation and price rises look set to continue in 2022 and that no one can predict what the situation will be during the year.

CFO López replied that in the last six years, they had four years with no Club Service Fee increases and only two with increases, which were

lower than the inflation rate. The average for the six years has been 1.85 percent. He said that in 2021, the resort was hit by the exchange rate impact, inflation, price rises and additional unbudgeted expenses, as it does not have reserves yet, this leaves no room to maneuver. He noted that in total, the exchange rate impact was more than US\$5,000,000, considering all the resorts.

Mr. Whitlock acknowledged that rising inflation and prices are a global problem and that there are hidden costs that cannot be anticipated. Mr. Bayerlein added that rising oil and gas rises are also having a knock-on effect leading to cascading price increases throughout the economy.

Council unanimously approved the budget and the motion for the Club Service Fee 7 percent increase.

In a private session, the Advisory Council selected Brian Shecterle and William Scott to replace retiring members Evelyn Hogue Dowell and Joseph Whitlock.

**The annual Club Service Fee for 2022 and the breakdown is as follows:**

| <b>CSF 2022</b>                                    |                  |                  |                      |                      |                      |                  |                  |
|--|------------------|------------------|----------------------|----------------------|----------------------|------------------|------------------|
| <b>CLUB SERVICE FEE FOR FRACTIONAL MEMBERSHIPS</b> |                  |                  |                      |                      |                      |                  |                  |
| <b>Villa</b>                                       | <b>Normal</b>    | <b>Normal</b>    | <b>W/Roof Garden</b> | <b>W/Roof Garden</b> | <b>W/Roof Garden</b> | <b>W/Pool</b>    | <b>W/Pool</b>    |
|  | <b>2 Bedroom</b> | <b>3 Bedroom</b> | <b>2 Bedroom</b>     | <b>3 Bedroom</b>     | <b>4 Bedroom</b>     | <b>2 Bedroom</b> | <b>3 Bedroom</b> |
| CSF  | 1,989.91         | 2,322.69         | 2,122.70             | 2,454.62             | 2,785.71             | 2,057.14         | 2,389.08         |
| VAT  | 318.39           | 371.63           | 339.62               | 392.74               | 445.71               | 329.14           | 382.25           |
| 3% Occupancy Tax                                   | 59.70            | 69.68            | 63.68                | 73.64                | 83.58                | 61.72            | 71.67            |
| <b>Total</b>                                       | <b>2,368.00</b>  | <b>2,764.00</b>  | <b>2,526.00</b>      | <b>2,921.00</b>      | <b>3,315.00</b>      | <b>2,448.00</b>  | <b>2,843.00</b>  |



| Grand Residences CSF 2022               |        |          |          | CSF        | VAT    | Occupancy Tax | TOTAL      | CSF price per point |
|---|--------|----------|----------|------------|--------|---------------|------------|---------------------|
| CLUB SERVICE FEE FOR POINTS MEMBERSHIPS |        |          |          |            |        |               |            |                     |
| Points Range                            |        | Base     | Variable |            |        |               |            |                     |
| 2,740                                   | 3,300  | \$202.34 | \$0.1573 | \$531.93   | 85.11  | 15.96         | \$633.00   | 0.2310              |
| 3,301                                   | 4,000  | \$241.69 | \$0.1573 | \$639.49   | 102.32 | 19.19         | \$761.00   | 0.2305              |
| 4,001                                   | 4,800  | \$310.26 | \$0.1461 | \$752.10   | 120.34 | 22.56         | \$895.00   | 0.2237              |
| 4,801                                   | 5,700  | \$370.96 | \$0.1461 | \$900.84   | 144.13 | 27.03         | \$1,072.00 | 0.2233              |
| 5,701                                   | 6,600  | \$427.17 | \$0.1461 | \$1,058.82 | 169.41 | 31.77         | \$1,260.00 | 0.2210              |
| 6,601                                   | 7,500  | \$494.62 | \$0.1461 | \$1,226.05 | 196.17 | 36.78         | \$1,459.00 | 0.2210              |
| 7,501                                   | 8,600  | \$562.07 | \$0.1348 | \$1,321.84 | 211.49 | 39.67         | \$1,573.00 | 0.2097              |
| 8,601                                   | 9,800  | \$562.07 | \$0.1348 | \$1,446.21 | 231.39 | 43.40         | \$1,721.00 | 0.2001              |
| 9,801                                   | 10,900 | \$584.55 | \$0.1348 | \$1,601.68 | 256.27 | 48.05         | \$1,906.00 | 0.1945              |
| 10,901                                  | 12,100 | \$595.79 | \$0.1348 | \$1,735.29 | 277.65 | 52.06         | \$2,065.00 | 0.1894              |
| 12,101                                  | 13,500 | \$635.14 | \$0.1348 | \$1,904.20 | 304.67 | 57.13         | \$2,266.00 | 0.1873              |
| 13,501                                  | 15,800 | \$657.62 | \$0.1348 | \$2,082.35 | 333.18 | 62.47         | \$2,478.00 | 0.1835              |
| 15,801                                  |        | \$680.10 | \$0.1348 | \$2,361.34 | 377.81 | 70.85         | \$2,810.00 | 0.1778              |

## ECONOMIC AND FINANCIAL PREMISES FOR BUDGET PREPARATION

The Grand Residences operations budget is calculated in pesos and then converted into USD using the estimated exchange rate

### Budget Assumptions

An average exchange rate of \$22.58/US\$1 was considered for the preparation of the 2021 budget; however, it is expected to end the year at \$20.10/US\$1. This represents a negative variation of -11 per cent and signifies that the resort will receive 11 percent less pesos.

Based on the projections of leading Mexican financial institutions, an average exchange rate of \$20.21 pesos to US\$1 was used for the 2022 budget.

### Cost of living

The increase in the cost of living in Mexico as it affects Grand Residences employees is taken at 4 percent and mandatory wage increases for union employees are also considered.

### Inflation

For budgeting purposes, an inflation rate of 4 percent has been considered.

### Taxes

Mexican Labor Law reforms have had an impact on resort operating expenditure as transferring staff between companies to comply with the new legislation has led to rises in tax and benefit payments.

### Improving Wi-Fi service

The new Internet service with fiber optics technology at Grand Residences will improve speed and capacity.

### Electricity

Royal Resorts has signed a three-year power purchase agreement with Infra, a green energy broker. This will bring some energy savings for the resort and is reflected in the 2022 budget.



**Income Statement Comparison Forecast 2021 vs Budget 2022 (Us Dlls)**

| 2021             |                  |                | DESCRIPTION                               | 2022<br>BUDGET   | FORECAST VS BUDGET |               | ACTUAL/<br>INTERVALS |
|------------------|------------------|----------------|---|------------------|--------------------|---------------|----------------------|
| BUDGET           | FORECAST         | %              |   |                  | 2021 VS 2022       |               |                      |
|                  |                  |                |   |                  | VARIANCE           | %             |                      |
| <b>\$22,5800</b> | <b>\$20,1101</b> | <b>-10.94%</b> | <b>EXCHANGE RATE</b>                      | <b>\$20,2092</b> | <b>0.49%</b>       |               |                      |
|                  |                  |                | <b>GENERAL REVENUE</b>                    |                  |                    |               |                      |
| 5,848,495        | 5,806,120        | -0.7%          | Dues Income                               | 6,343,660        | 537,539            | 9.3%          | 2,006.22             |
| <b>5,848,495</b> | <b>5,806,120</b> | <b>-0.7%</b>   | <b>Total Dues Income</b>                  | <b>6,343,660</b> | <b>537,539</b>     | <b>9.3%</b>   | <b>2,006.22</b>      |
|                  |                  |                | <b>OTHER INCOME</b>                       |                  |                    |               |                      |
| 2,400            | 2,912            | 0.0%           | Guest Laundry                             | 3,000            | 88                 | 3.0%          | 0.95                 |
| 72,000           | 71,012           | -1.4%          | Other Income                              | 60,000           | (11,012)           | -15.5%        | 18.98                |
| <b>74,400</b>    | <b>73,924</b>    | <b>-0.6%</b>   | <b>Total Other Income</b>                 | <b>63,000</b>    | <b>(10,924)</b>    | <b>-14.8%</b> | <b>19.92</b>         |
| <b>5,922,895</b> | <b>5,880,044</b> | <b>-0.7%</b>   | <b>Total Revenue</b>                      | <b>6,406,660</b> | <b>526,615</b>     | <b>9.0%</b>   | <b>2,026.14</b>      |
|                  |                  |                | <b>RESORT OPERATING EXPENSES</b>          |                  |                    |               |                      |
| 595,639          | 638,835          | 7.3%           | Housekeeping Services                     | 703,870          | 65,035             | 10.2%         | 222.60               |
| 206,028          | 224,249          | 8.8%           | Housekeeping Maintenance                  | 362,517          | 138,268            | 61.7%         | 114.65               |
| 106,291          | 200,447          | 88.6%          | Amenities                                 | 198,000          | (2,447)            | -1.2%         | 62.62                |
| 741,424          | 783,309          | 5.6%           | Electricity                               | 733,457          | (49,852)           | -6.4%         | 231.96               |
| 794,282          | 872,579          | 9.9%           | Maintenance & Machine House               | 1,020,767        | 148,188            | 17.0%         | 322.82               |
| 84,055           | 87,364           | 3.9%           | Water & Sewage                            | 79,390           | (7,973)            | -9.1%         | 25.11                |
| 336,004          | 319,515          | -4.9%          | Security                                  | 392,968          | 73,453             | 23.0%         | 124.28               |
| 218,745          | 234,973          | 7.4%           | Front Desk/Concierges                     | 262,588          | 27,615             | 11.8%         | 83.04                |
| 235,296          | 221,471          | -5.9%          | Internal Laundry                          | 266,895          | 45,424             | 20.5%         | 84.41                |
| 103,147          | 85,605           | -17.0%         | Fixed Assets and Major Repairs            | 20,312           | (65,293)           | -76.3%        | 6.42                 |
| 123,640          | 120,375          | -2.6%          | Landscaping                               | 142,492          | 22,117             | 18.4%         | 45.06                |
| 76,112           | 71,284           | -6.3%          | Sport Services                            | 96,699           | 25,415             | 35.7%         | 30.58                |
| 52,902           | 57,260           | 8.2%           | Telephone ( Net Result )                  | 58,771           | 1,511              | 2.6%          | 18.59                |
| 127,927          | 121,366          | -5.1%          | Social Activities                         | 148,081          | 26,715             | 22.0%         | 46.83                |
| 22,192           | 25,379           | 14.4%          | Operational Services                      | 27,289           | 1,910              | 7.5%          | 8.63                 |
| 301,354          | 320,196          | 6.3%           | Resort Insurance                          | 320,036          | (160)              | 0.0%          | 101.21               |
| 17,098           | 17,328           | 1.4%           | Gym                                       | 15,119           | (2,209)            | -12.7%        | 4.78                 |
| 48,000           | 90,327           | 88.2%          | Members Transportation                    | 90,000           | (327)              | -0.4%         | 28.46                |
| 105,000          | 64,596           | -38.5%         | High Speed Internet Connection            | 129,600          | 65,004             | 100.6%        | 40.99                |
| <b>4,295,135</b> | <b>4,556,458</b> | <b>6.1%</b>    | <b>Total Resort Operating Expenses</b>    | <b>5,068,852</b> | <b>512,394</b>     | <b>11.2%</b>  | <b>1,603.05</b>      |
|                  |                  |                | <b>GENERAL &amp; ADMIN EXPENSES</b>       |                  |                    |               |                      |
| 528,072          | 523,405          | -0.9%          | Management Fee                            | 567,493          | 44,088             | 8.4%          | 179.47               |
| 309,306          | 339,582          | 9.8%           | Corporate Services                        | 352,680          | 13,098             | 3.9%          | 111.54               |
| 90,794           | 94,874           | 4.5%           | Accounting/Warehouse/IT/Purchasing        | 120,027          | 25,153             | 26.5%         | 37.96                |
| 55,378           | 54,306           | -1.9%          | Administration/General Management         | 55,340           | 1,034              | 1.9%          | 17.50                |
| 95,290           | 87,576           | -8.1%          | Human Resources                           | 83,817           | (3,759)            | -4.3%         | 26.51                |
| 65,983           | 374,843          | 468.1%         | Other Expenses                            | 113,985          | (260,858)          | -69.6%        | 36.05                |
| 13,274           | 13,182           | -0.7%          | Auditing                                  | 14,265           | 1,083              | 8.2%          | 4.51                 |
| 44,121           | 50,889           | 15.3%          | Membership Services                       | 53,122           | 2,233              | 4.4%          | 16.80                |
| <b>1,202,218</b> | <b>1,538,656</b> | <b>28.0%</b>   | <b>Total General &amp; Admin Expenses</b> | <b>1,360,729</b> | <b>(177,927)</b>   | <b>-11.6%</b> | <b>430.34</b>        |
| <b>425,541</b>   | <b>(215,070)</b> | <b>-150.5%</b> | <b>Total Operating Income</b>             | <b>(22,921)</b>  | <b>192,149</b>     | <b>-89.3%</b> | <b>(7.25)</b>        |
|                  |                  |                | <b>FINANCIAL EXPENSES/INCOME</b>          |                  |                    |               |                      |
| 30,971           | 31,076           | 0.3%           | Credit Card Commission CSF                | 32,008           | 932                | 3.0%          | 10.12                |
| <b>30,971</b>    | <b>31,076</b>    | <b>0.3%</b>    | <b>TOTAL FINANCIAL EXPENSES/INCOME</b>    | <b>32,008</b>    | <b>932</b>         | <b>3.0%</b>   | <b>10.12</b>         |
|                  |                  |                | <b>Taxes</b>                              |                  |                    |               |                      |
| 484,655          | 481,745          | -0.6%          | V.A Tax                                   | 484,655          | 2,910              | 0.6%          | 153.27               |
| 90,873           | 90,327           | -0.6%          | Occupancy Tax                             | 90,873           | 546                | 0.6%          | 28.74                |
| <b>73,836</b>    | <b>100,630</b>   | <b>36.3%</b>   | <b>Property Tax &amp; Other Exp.</b>      | <b>99,679</b>    | <b>(951)</b>       | <b>-0.9%</b>  | <b>31.52</b>         |
| <b>649,364</b>   | <b>672,702</b>   | <b>3.6%</b>    | <b>Total Taxes</b>                        | <b>675,207</b>   | <b>2,505</b>       | <b>0.4%</b>   | <b>213.54</b>        |
| <b>(254,794)</b> | <b>(918,848)</b> | <b>260.6%</b>  | <b>Net Income</b>                         | <b>(730,136)</b> | <b>188,712</b>     | <b>-20.5%</b> | <b>(230.91)</b>      |