

Seismic Project email communication

Russ and BOD,

I have a few questions and comments to the group. I have talked to other owners and they had some of the same concerns so I thought I would send out an email.

1. Can construction begin any earlier if the permit is issued earlier? Maintenance weeks are the last 2 weeks of April.
2. How confident are you that the construction will be completed within the 90 days? I was at the house the last week of Nov and the beginning of Dec and they were rebuilding the BBQ/Grill area and the grill is still not working/useable on Jan 1st.
3. If the partners who are not able to use their weeks during that 90 days do not pay the \$2500 for their week will that leave us with a shortfall (approx. \$35k) at the end of the year and require another cash call or is this included in the estimate?
4. In 2022 we replaced the water purification tank and fixed leaks. What else is needed?
5. How come none of the owners were notified that we do not have earthquake or hurricane insurance?
6. When will we need to replace vehicles? Will this require another cash call in the near future?
7. When will we have an annual meeting with owners that will discuss future projects that could give us a heads up? Getting a cash call/vote 3 days after Christmas was quite the surprise.

Thanks,
Josh

Hello Josh and other Partners:

Good questions. Let me answer them in the same order.

1. The contractor will be ordering materials and staging required items during the last three weeks of April. The critical timing issue is the remodel construction permit. As you can imagine there are lots of "moving parts" to manage a major construction project as we have proposed. We will start the project as soon as we can. Our project start date will hopefully be no later than April 30, 2024.
2. As with any major construction project there may be unforeseen issues that arise that could delay the completion date. We will manage as best we can to complete the project in 90 days. We hope Mother Nature cooperates with us. Starting later in the year has higher risks of causing delays, primarily due to the rainy weather or even worse - a hurricane. We elected not to use the contractor that we used to complete the pool equipment room and BBQ area for the reason of his inability to complete projects on time. We selected a more reliable contractor with a reasonable cost estimate.
3. During the construction period we will have fewer or fewer expenses (water, gas, electricity, airport transportation, etc. Also, we will do our best to do value engineering so that we can accomplish other pending projects during the 90-day downtime period. We prudently built in a \$26,700 cost overrun amount, which is standard cost budgeting procedure for a complicated construction project. Unless

there are unforeseen circumstances that we are not aware of and that will be a significant cost overrun we don't believe we will need to have an additional cash call soon.

4. We also fixed water leaks over the past two months as well. We have a very old house and continue to work on water, electricity, painting, poor lighting, electric transformer maintenance, etc. every year. Again, we will continue to repair, replace, fix, service, and improve the house as best we can, within the budget we have. Some partners want major improvements and would like to spend a significant amount of money. Other partners wish to spend very little money and don't seem to care much about how the house looks or functions. It's a balancing act that we need to work with since all partners have a say. For example, the Jacuzzi SPA was voted down with 48% of partners wishing to spend the money on the SPA. The No vote prevailed. It's very hard to get a consensus with so many partners.
5. We were notified on Oct. 23, 2023, that the insurance company required specific legal and tax information and documentation that we do not have and have never had. They canceled the renewal of the insurance policy we have had in place for years. Interestingly this was about two weeks after Puerto Vallarta had a strong hurricane. I tried to appeal, but Mexico has new laws and bureaucratic challenges that require us to provide four (4) new government documents. On November 10, 2023, I met with a Mexican attorney and went over their document request. He advised me that these new requirements are non-negotiable and that we need to obtain them. Two days ago I contacted the insurance agency to let them know that we are working on providing them with the newly required documents. We are working on getting our insurance reinstated. As of today, we are not insured. We are working on this as best as we can. We may have to engage Mexican legal counsel to assist us.
6. Our two vehicles are in relatively good shape, and we do not need new ones for a few more years.
7. We can have a partner meeting whenever a majority of partners wish to call one. The CEO, or the Board of Directors may also call a meeting. Our Operating Agreement does not require an annual meeting. See Section 10.3. I wish I could have given all of the partners a heads-up earlier, but I did not yet have all the details related to the cost, timing, and scope of the project. I know a few days after Christmas is not the best time to share a cash call request. Sorry about that.

Thanks again Josh for asking good questions. I hope this helps. So far, the vote to proceed with the proposed project is in the affirmative, but not yet 51%. Partners - you haven't voted, please send me an email - Yes or No. I thank those who have already voted and appreciate your promptness. We can't move forward without 51 Percent voting in the affirmative.