



MAHOGANY BAY
VILLAGE
PROPERTY MANAGEMENT REPORT
2018 and 2019 Year End Report
2020 Budget Report



Overview

This report is for all Owners at Mahogany Bay Village ('MBV') and encompasses the reporting of the receipt of all Owners payments for property management related invoices and all of the expenses for the common areas for calendar years 2018 and 2019 and the budget for calendar year 2020.

Common Areas

The common areas include roads (which are private at MBV), canals, utilities infrastructure (including IT (fiber, telco and wifi)), The Great House, The Bay Club (with gym), The Beach Club, Back of House building, Executive Office building, Marina and resort operation transportation (golf carts and boats). All of these amenities are essential for both the enjoyment of all Owners while they are on the property as well as our Hilton and Coastal Living guests. Having a rich assortment of areas for congregation, sports, and relaxation are what makes MBV special and leads to a quality experience for everyone and positive reviews that drives repeat business and referrals. It also is a key factor in driving occupancy and ADR for those Owners that place their property in the Rental Management Program. The amenities at MBV are unparalleled in Belize, especially with the addition of the Beach Club, MBV is sargassum free, a huge advantage in the marketplace.

MBV by the Numbers

- 15-acre campus main campus
- 1 acre Great House and Bay Club
- 2 acre Beach Club
- 1.2 miles of private roads with street lighting
- 2 miles of canals, beach and lagoon frontage
- 45,000 square feet of common buildings
- >4,000 palms
- >8,000 shrubs and perennials
- ~2 acres of green space

MBV from its humble beginnings in 2013 has been able to transform a barren 50+ acre property into a showplace of flora and fauna that guests expect when coming to the Caribbean. The property is 'home' to all of the indigenous reptiles of the island and a wide assortment of birds, bees and butterflies — there is rarely a moment when you don't hear the rustling of palm leaves or the calls of the local birds.

While the property is extensive and the amenities are world-class, MBM is mindful to maintain strict cost controls over these expenses and believes that the budget is reasonable for the value produced of the areas. The annual fees are in line or below comparable properties on Ambergris Caye. With over 180,000 square feet of accommodations on the ground today and growing by approximately 2,000 square feet per month as new product is added, these expenses will continue to be distributed over a larger pool of Owners in the future, thereby lowering the pro rated amount to each Owner as the property matures.

Annual Fees Overview

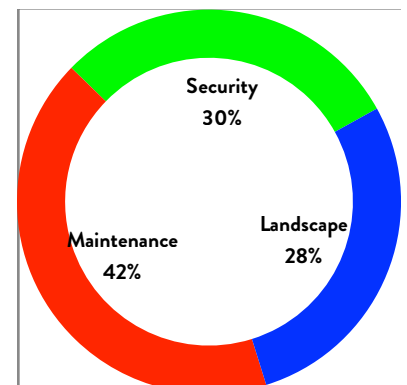
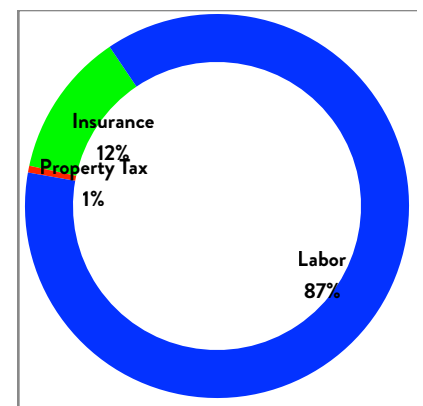
The Property Management Services Agreement ('PMA') contemplates two areas of expenses for the property; first is the annual Common Area Operations & Management budget and collection of the resulting Common Property and Exterior Fee. These expenses are for operating, managing, and insuring the common amenities - which may also include any special assessment(s) for the next calendar year. The second is the quarterly reporting and collection of the Common Area Maintenance & Utility Fee. These are the maintenance and utilities expenses for maintaining the common amenities, infrastructure, and the exterior of all buildings. These expenses are paid by the Management Company, Mahogany Bay Management, Ltd ('MBM') on behalf of the Owners during the quarter and then reported and collected with the Quarterly Owners Statements (payment terms are net 15 days from date of invoice).

Annually a budget is created to capture the proposed expenses to operate, manage, and insure the common amenities of MBV – the Common Area Operations & Management budget (the landscape portion also includes the care for the entire campus including plant materials and hardscape that is within all individual Owner's lot lines). These expenses are for the common amenities enjoyed by all Owners. The intent of these operations is to present a cohesive 'look and feel' to the entire MBV development, and to assure that all properties are maintained to the exact standards so as to preserve the investment of all Owners. MBM provides a turn-key solution for Owners by employing the teams to complete the property and rental management functions for the Owners, which is one of the benefits of owning in a branded development. The PMA contemplates that MBM is to provide an annual budget prior to the start of the calendar year and that the Owners will pay the Common Property and Exterior Fee prior to the start of the year based on the budget, so that the funds are available for MBM to complete the services for the following calendar year, according to the budget.

As the property was just getting into full operation during 2018, MBM chose to defer the invoicing until December 4, 2018 for the 2018 Common Property and Exterior Fee including the special assessment and the Common Area Maintenance & Utility Fee. As the majority of the year had already passed and MBM had paid the expenses during the year, this invoicing was to reimburse MBM for expenses made on behalf of the Owners during 2018.

The expenses for all of 2019 and the first six months of 2020 have already been paid by MBM, therefore, we are billing for both annual fees on June 30, 2020 and offering a 10% 30, net 31 payment terms for the 2019 fees and 5% 30, net 31 terms for the 2020 fees.

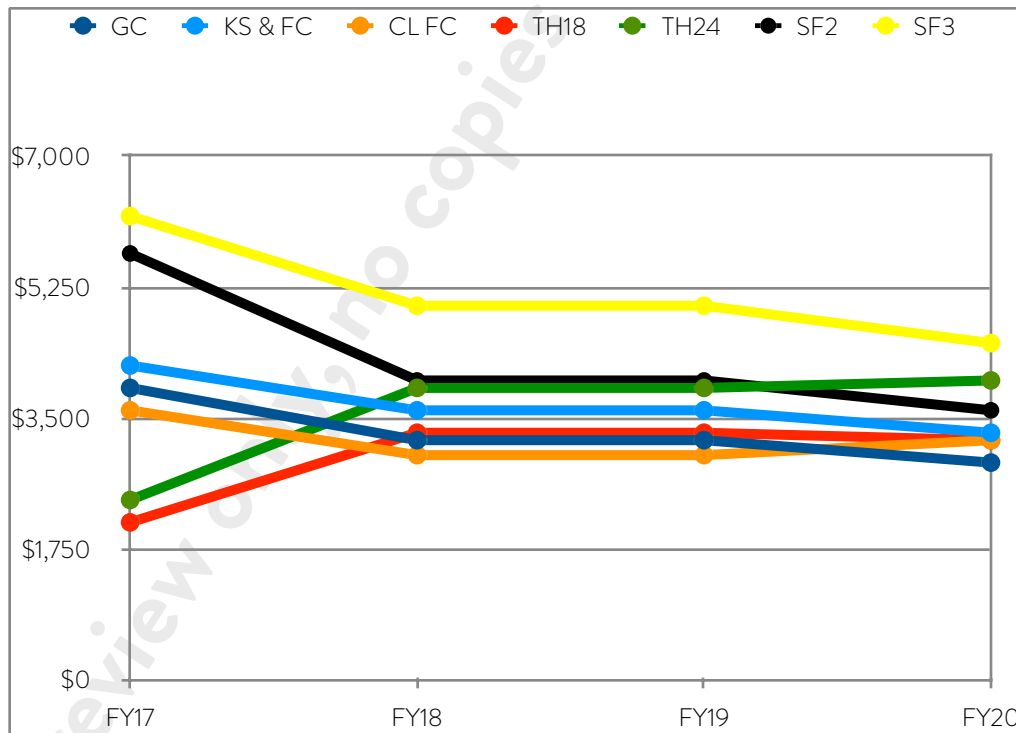
The graphs outline the distribution of the expenses for the 2018, 2019 and 2020 periods – illustrating that ~87% is allocated towards labor to maintain the property and that the Maintenance team makes up the largest share of the labor expense, followed by Security, then Landscape. As the materials that might be utilized by each department is difficult to budget, these expenses are invoiced quarterly as part of the PMA Maintenance and Utility expense, the annual fee only contemplates the anticipated expenses for labor, insurance and property taxes.



Annual PMA Common Property and Exterior Fees

The PMA Common Area Fees per unit type are shown in the chart below. The good news is that the PMA fees are the same for FY19 and reduced for FY20 for all unit types. This reduction is due to a forecasted reduction in personnel during the COVID shutdown and the application of the residual balance from the 2018 assessment being applied to the amount due for the FY20 Common Area Fee.

	Hilton			Coastal Living				
	GC	KS	FC	TH18	TH24	FC	SF2	SF3
2017 PMA Fee Actual	\$3,900	\$4,200	\$4,200	\$2,100	\$2,400	\$3,600	\$5,700	\$6,200
2018 PMA Fee	\$3,200	\$3,600	\$3,600	\$3,300	\$3,900	\$3,000	\$4,000	\$5,000
2018 PMA Assessment	\$680	\$1,220	\$990	\$1,200	\$1,800	\$610	\$1,250	\$1,500
2018 PMA Fee Actual	\$3,880	\$4,820	\$4,590	\$4,500	\$5,700	\$3,610	\$5,250	\$6,500
2019 PMA Fee Actual	\$3,200	\$3,600	\$3,600	\$3,300	\$3,900	\$3,000	\$4,000	\$5,000
2020 PMA Fee	\$2,900	\$3,300	\$3,300	\$3,200	\$3,700	\$2,900	\$3,600	\$4,500

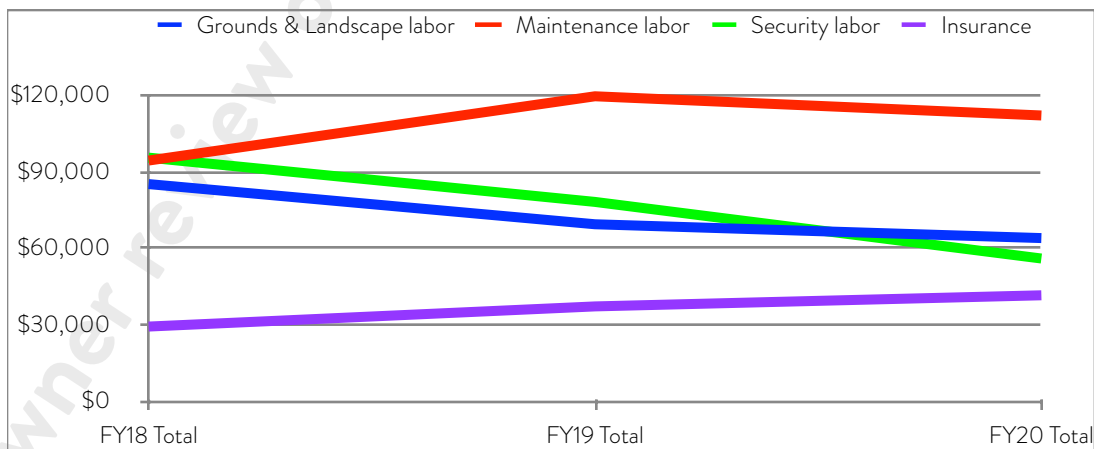


Annual Expenses 2018 to 2020

The table below illustrates the actual expenses for 2018 and 2019 and the budget for 2020. The column 'MBM' is the portion of the expense that is assessed to the management company for its pro rata share of the facilities based on square footage of the Food and Beverage facilities to the total common buildings (MBM operates the F&B operations).

In 2019, the Generator - Great House expense was moved to the variable expenses, Maintenance & Utility, under the RMA agreement. This expense is for the maintenance and upkeep of the Generator which supplies electricity to the Great House whenever there is a power outage on the property – therefore, the benefit of this expense is to the guests and residents on property and not the overall Owners – hence the reclassification of this expense.

	FY18 Actual	MBM	FY18 Total	FY19 Actual	MBM	FY19 Total	FY20 Forecast	MBM	FY20 Total
		-20%			-20%			-20%	
PMA Common Area O&M Expenses									
Cost of Labor									
Grounds & Landscape labor	\$106,420	-\$21,284	\$85,136	\$86,760	-\$17,352	\$69,408	\$80,000	-\$16,000	\$64,000
Maintenance labor	\$117,945	-\$23,589	\$94,356	\$149,391	-\$29,878	\$119,513	\$140,000	-\$28,000	\$112,000
Security labor	\$119,366	-\$23,873	\$95,493	\$97,695	-\$19,539	\$78,156	\$70,000	-\$14,000	\$56,000
Total Cost of Labor	\$343,732	-\$68,746	\$274,985	\$333,847	-\$66,769	\$267,077	\$290,000	-\$58,000	\$232,000
Security expenses	\$2,025	-\$405	\$1,620	\$2,059	-\$412	\$1,647	\$2,000	-\$400	\$1,600
Generator - Great House	\$2,138	-\$428	\$1,711						
Insurance	\$36,700	-\$7,340	\$29,360	\$46,561	-\$9,312	\$37,249	\$52,000	-\$10,400	\$41,600
Property Taxes	\$2,100	-\$420	\$1,680	\$2,100	-\$420	\$1,680	\$2,100	-\$420	\$1,680
Total PMA Common Area O&M Expenses	\$386,695	-\$77,339	\$309,356	\$384,566	-\$76,913	\$307,653	\$346,100	-\$69,220	\$276,880
2018 Assessment Balance									-\$21,419
Billed to Owners			\$294,865			\$299,200			\$22,944
Difference (Due to MBM)			\$14,491			\$8,453			\$1,525



Special Assessments

Below is the reporting on the special assessment that was levied in addition to the Common Property and Exterior Fee in 2018. The water pressurization system was installed in the Winter of 2019 and ended our long term issues with water pressure on the property — guest satisfaction went up immediately, so thank you for funding this improvement. The boat was added to our fleet in June 2019, and has reduced our quarterly water/sewer expenses for the Beach Club from a quarterly average of \$10,000 to less \$1,000 when we need to hire a backup boat if the skow is being repaired.

2018 Assessment charged to Owners		\$79,971.25
Supply boat acquisition expenses	-\$24,007.90	
Water pressure system expenses	-\$34,544.81	
		-\$58,552.71
2018 Assessment balance (applied to FY20 Fees)		\$21,418.54



Special Projects

Finally, while the team is always working on both preventative maintenance and necessary repairs at MBR on a daily basis, there are always annual initiatives to upgrade and enhance the property. Two initiatives have been to expand the use of local coconut trees as our street trees as they require less water and maintenance than some of the other palm trees over the lifetime of the tree. Second, we have replaced every wood screw that is used with the Cabbage Bark decking with a new countersunk screw covered with a Cabbage Bark plug. This has been a time consuming and extensive projects as there are literally thousands of these screws on the property. There is a dedicated team of three team members that complete this work after the property closes for the evening and have become quite proficient in getting this done quickly and with a great level of quality. Having these screws reinstalled in this manner to extend the longevity of these connections for years to come and also make the decking more attractive.

